

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 29, 2020
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-38643

PAE INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

82-3173473

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

7799 Leesburg Pike, Suite 300 North, Falls Church, Virginia 22043
(Address of principal executive offices) (Zip Code)

(703) 717-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols	Name of each exchange on which registered
Class A Common Stock	PAE	Nasdaq Stock Market
Warrants	PAEWW	Nasdaq Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock outstanding as of April 30, 2020 was 92,040,654.

EXPLANATORY NOTE

This Quarterly Report on Form 10-Q (the "Form 10-Q") contains our condensed consolidated financial statements for the three-month period ended March 29, 2020.

We were originally incorporated in Delaware on October 23, 2017 under the name "Gores Holdings, III, Inc." as a special purpose acquisition company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or other similar business combination with one or more target businesses. On September 11, 2018, we consummated our initial public offering (the "IPO"), following which our shares began trading on the Nasdaq Stock Market ("Nasdaq").

On February 10, 2020 (the "Closing Date"), we consummated the previously announced business combination (the "Business Combination") pursuant to that certain Agreement and Plan of Merger, dated November 1, 2019, by and among Gores Holdings III, Inc. ("Gores III"), EAP Merger Sub, Inc. ("First Merger Sub"), EAP Merger Sub II, LLC ("Second Merger Sub"), Shay Holding Corporation ("Shay"), and Platinum Equity Advisors, LLC (in its capacity as the Stockholder Representative, the "Stockholder Representative") (the "Merger Agreement"), as more fully described in the Company's Form 8-K filed with the Securities and Exchange Commission on February 14, 2020, and the amendment thereto filed on March 11, 2020. In connection with the closing of the Business Combination (the "Closing"), we acquired 100% of the stock of Shay (as it existed immediately prior to the Second Merger) and its subsidiaries, changed our name from "Gores Holdings III, Inc." to "PAE Incorporated", and changed the trading symbols of our Class A Common Stock and warrants on Nasdaq from "GRSH" and "GRSHW," to "PAE" and "PAEWW," respectively.

For accounting purposes, the Business Combination is treated as a reverse acquisition and recapitalization, in which Shay is considered the accounting acquirer (and legal acquiree) and Gores III is considered the accounting acquiree (and legal acquirer). Additionally, unless otherwise stated or the context indicates otherwise, with respect to the financial information contained in this Form 10-Q, including in "Part I, Item 1. Financial Statements" and the notes thereto and in "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," the financial information relating to the quarter ended March 31, 2019 are those of Shay and its subsidiaries, and for the quarter ended March 29, 2020, the financial information includes the financial information of Shay and its subsidiaries for the period prior to the Closing and the financial information of PAE Incorporated and its subsidiaries for the period subsequent to the Closing. See "Note 1 – Description of Business" and "Note 6 – Business Combinations and Acquisitions" of the Notes to the condensed consolidated financial statements for additional information.

Unless the context indicates otherwise, the terms "PAE," the "Company," "we," "us," and "our" refer to PAE Incorporated and its subsidiaries taken as a whole.

PAE Incorporated
Form 10-Q
For the Quarter Ended March 29, 2020

Table of Contents

	<u>Page No.</u>
Part I: Financial Information	
Item 1. Financial Statements (Unaudited)	
<u>Condensed Consolidated Statements of Operations</u>	<u>1</u>
<u>Condensed Consolidated Statements of Comprehensive Loss</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
<u>Condensed Consolidated Statements of Equity</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>43</u>
Item 4. <u>Controls and Procedures</u>	<u>43</u>
Part II: Other Information	
Item 1. <u>Legal Proceedings</u>	<u>44</u>
Item 1A. <u>Risk Factors</u>	<u>44</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>45</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>45</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>45</u>
Item 5. <u>Other Information</u>	<u>45</u>
Item 6. <u>Exhibits</u>	<u>47</u>
<u>Signatures</u>	<u>49</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PAE Incorporated
Condensed Consolidated Statements of Operations (Unaudited)
(In thousands, except per share data)

	Three Months Ended	
	March 29, 2020	March 31, 2019
Revenues	\$ 617,253	\$ 673,484
Cost of revenues	465,208	517,159
Selling, general and administrative expenses	137,326	135,035
Amortization of intangible assets	8,047	8,657
Total operating expenses	610,581	660,851
Program profit	6,672	12,633
Other income, net	785	1,720
Operating income	7,457	14,353
Interest expense, net	(20,948)	(22,660)
Loss before income taxes	(13,491)	(8,307)
Benefit from income taxes	(8,714)	(3,147)
Net loss	(4,777)	(5,160)
Noncontrolling interest in earnings of ventures	166	559
Net loss attributed to PAE Incorporated	\$ (4,943)	\$ (5,719)
Net loss per share attributed to PAE Incorporated:		
Basic and diluted	\$ (0.08)	\$ (0.27)
Weighted average shares outstanding	59,807,549	21,127,823

See accompanying notes

PAE Incorporated
Condensed Consolidated Statements of Comprehensive Loss (Unaudited)
(In thousands)

	Three Months Ended	
	March 29, 2020	March 31, 2019
Net loss	\$ (4,777)	\$ (5,160)
Other comprehensive (loss) income:		
Change in foreign currency translation adjustment, net of tax	(976)	290
Other, net	281	422
Other comprehensive (loss) income	(695)	712
Comprehensive loss	(5,472)	(4,448)
Comprehensive income attributed to noncontrolling interests	498	582
Comprehensive loss attributed to PAE Incorporated	<u>\$ (5,970)</u>	<u>\$ (5,030)</u>

See accompanying notes

PAE Incorporated
Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except share and par value amounts)

	March 29, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 99,790	\$ 68,035
Accounts receivable, net	420,765	442,180
Prepaid expenses and other current assets	46,760	43,549
Total current assets	567,315	553,764
Property and equipment, net	28,079	30,404
Deferred income taxes, net	16,597	3,212
Investments	17,747	17,925
Goodwill	409,588	409,588
Purchased intangibles, net	172,417	180,464
Operating lease right-of-use assets, net	161,731	162,184
Other noncurrent assets	9,484	13,758
Total assets	\$ 1,382,958	\$ 1,371,299
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 122,126	\$ 124,661
Accrued expenses	100,456	102,315
Customer advances and billings in excess of costs	69,662	51,439
Salaries, benefits and payroll taxes	106,995	130,633
Accrued taxes	16,058	18,488
Current portion of long-term debt	22,894	22,007
Operating lease liabilities, current portion	35,324	36,997
Other current liabilities	32,703	30,893
Total current liabilities	506,218	517,433
Long-term debt, net	595,598	727,930
Long-term operating lease liabilities	130,426	129,244
Other long-term liabilities	7,397	8,601
Total liabilities	1,239,639	1,383,208
Stockholders' equity:		
Preferred stock, \$0.0001 par value per share, 1,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.0001 par value per share: 210,000,000 shares authorized; 92,040,654 and 21,127,823 shares issued and outstanding as of March 29, 2020 and December 31, 2019, respectively	9	2
Additional paid-in capital	262,284	101,743
Accumulated deficit	(150,314)	(145,371)
Accumulated other comprehensive loss	(829)	(134)
Total PAE Incorporated stockholders' equity	111,150	(43,760)
Noncontrolling interests	32,169	31,851
Total liabilities and equity	\$ 1,382,958	\$ 1,371,299

See accompanying notes

PAE Incorporated
Condensed Consolidated Statements of Equity (Unaudited)
(In thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) / Income	Total PAE Incorporated Equity	Noncontrolling Interests	Total Equity
	Shares	Amount						
Balance at December 31, 2018	282,047	\$ 3	\$ 101,742	\$ (95,562)	\$ (2,138)	\$ 4,045	\$ 27,440	\$ 31,485
Retrospective application of the capitalization	20,845,776	(1)	1	—	—	—	—	—
Adjusted balance at December 31, 2018	21,127,823	2	101,743	(95,562)	(2,138)	4,045	27,440	31,485
Net loss	—	—	—	(5,719)	—	(5,719)	559	(5,160)
Other comprehensive income, net	—	—	—	—	712	712	—	712
Equity contributions from venture partners	—	—	—	—	—	—	1,350	1,350
Balance at March 31, 2019	21,127,823	\$ 2	\$ 101,743	\$ (101,281)	\$ (1,426)	\$ (962)	\$ 29,349	\$ 28,387

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total PAE Incorporated Equity	Noncontrolling Interests	Total Equity
	Shares	Amount						
Balance at December 31, 2019	282,047	\$ 3	\$ 101,742	\$ (145,371)	\$ (134)	\$ (43,760)	\$ 31,851	\$ (11,909)
Retrospective application of the capitalization	20,845,776	(1)	1	—	—	—	—	—
Adjusted balance at December 31, 2019	21,127,823	2	101,743	(145,371)	(134)	(43,760)	31,851	(11,909)
Net (loss) income	—	—	—	(4,943)	—	(4,943)	166	(4,777)
Other comprehensive loss, net	—	—	—	—	(695)	(695)	—	(695)
Distributions to venture partners and other	—	—	—	—	—	—	152	152
Equity contributions from venture partners	—	—	13	—	—	13	—	13
Equity infusion from Gores III	46,999,787	5	364,773	—	—	364,778	—	364,778
Private placement	23,913,044	2	219,998	—	—	220,000	—	220,000
Payment to Shay stockholders	—	—	(424,243)	—	—	(424,243)	—	(424,243)
Balance at March 29, 2020	92,040,654	\$ 9	\$ 262,284	\$ (150,314)	\$ (829)	\$ 111,150	\$ 32,169	\$ 143,319

See accompanying notes

PAE Incorporated
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Three Months Ended	
	March 29, 2020	March 31, 2019
Operating activities		
Net loss	\$ (4,777)	\$ (5,160)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of property and equipment	2,583	3,010
Amortization of intangible assets	8,047	8,657
Amortization of debt issuance cost	6,063	2,050
Net undistributed income from unconsolidated ventures	(663)	(1,300)
Deferred income taxes, net	(9,081)	440
Other non-cash activities, net	270	419
Changes in operating assets and liabilities, net:		
Accounts receivable, net	20,869	(21,368)
Accounts payable	(2,417)	53,784
Accrued expenses	(3,779)	(7,412)
Customer advances and billings in excess of costs	18,223	23,390
Salaries, benefits and payroll taxes	(21,307)	(6,701)
Inventories, net	1,342	(2,001)
Prepaid expenses and other current assets	(2,921)	(5,754)
Other current and noncurrent liabilities	(4,545)	(2,307)
Investments	750	836
Other noncurrent assets	4,729	780
Accrued taxes	(2,473)	(2,000)
Net cash provided by operating activities	10,913	39,363
Investing activities		
Expenditures for property and equipment	(404)	(3,614)
Net cash used in investing activities	(404)	(3,614)
Financing activities		
Net contributions from noncontrolling interests	150	1,350
Borrowings on long-term debt	60,000	17,888
Repayments on long-term debt	(196,544)	(62,938)
Payments of debt issuance costs	(964)	—
Recapitalization from merger with Gores III	605,708	—
Payment of underwriting and transaction costs	(27,268)	—
Distribution to selling stockholders	(419,548)	—
Net cash provided by (used in) financing activities	21,534	(43,700)
Effect of exchange rate changes on cash and cash equivalents	(288)	(458)
Net increase (decrease) in cash and cash equivalents	31,755	(8,409)
Cash and cash equivalents at beginning of period	68,035	51,097
Cash and cash equivalents at end of period	\$ 99,790	\$ 42,688
Supplemental cash flow information		
Cash paid for interest	\$ 10,900	\$ 19,411
Cash paid for taxes	\$ 1,523	\$ 2,608

See accompanying notes

PAE Incorporated
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Description of Business

PAE Incorporated, formerly known as Gores Holdings III, Inc. ("Gores III"), was originally incorporated in Delaware on October 23, 2017 as a special purpose acquisition company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or other similar business combination with one or more target businesses. On September 11, 2018, Gores III consummated its initial public offering (the "IPO"), following which our shares began trading on the Nasdaq Stock Market ("Nasdaq"). Unless the context otherwise indicates, references herein to the "Company" or "PAE" refer to PAE Incorporated and its consolidated subsidiaries.

On February 10, 2020 (the "Closing Date"), the Company completed the previously announced business combination (the "Business Combination") in which Shay Holding Corporation ("Shay") was acquired by Gores III. The transaction was completed in a multi-step process pursuant to which Shay ultimately merged with and into a wholly-owned subsidiary of Gores III, with the Gores III subsidiary continuing as the surviving company. As a result of the Business Combination, each share of common stock of Shay was cancelled and converted into the right to receive a portion of the consideration payable in connection with the transaction and Gores III acquired Shay (as it existed immediately prior to the Business Combination) and its subsidiaries. Additionally, the stockholders of Shay as of immediately prior to the transaction hold a portion of the common stock of the Company.

For accounting purposes, the Business Combination is treated as a reverse acquisition and recapitalization, in which Shay is considered the accounting acquirer (and legal acquiree) and Gores III is considered the accounting acquiree (and legal acquirer).

Accordingly, as of the Closing Date, Shay's historical results of operations replaced Gores III's historical results of operations for periods prior to the Business Combination and the results of operations of both companies are included in the accompanying condensed consolidated financial statements for periods following the Closing Date. See "Note 6 - Business Combinations and Acquisitions" for additional information.

PAE provides integrated support solutions, including defense and military readiness, diplomacy, peacekeeping, development, host nation capacity building, aircraft and ground equipment maintenance and logistics, and operations and maintenance of facilities and infrastructure. Customers include agencies of the U.S. Government, such as the Department of Defense ("DoD") and Department of State ("DoS"), allied foreign governments, and international organizations such as the United Nations.

The Company's operations are organized into the following two reportable segments:

- **Global Mission Services ("GMS"):** GMS provides infrastructure and logistics management, international logistics and stabilization support, and aircraft and vehicle readiness and sustainment support. The segment focuses on customer relationships with DoD, DoS, National Aeronautics and Space Administration, United Nations, and other government agencies for work in the United States and outside of the United States.

- **National Security Solutions (“NSS”):** NSS provides counter-threat solutions, business process outsourcing, adjudication support services and full life cycle support for complex legal matters. NSS focuses on customer relationships in the areas of intelligence, defense and security, and with civilian agencies.

The Company separately presents the costs associated with certain corporate functions as Corporate, which primarily include costs that are not reimbursed by the Company’s U.S. Government customers.

2. Significant Accounting Principles and Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In management’s opinion, all adjustments, consisting of only normal recurring adjustments, considered necessary for a fair presentation have been included. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full fiscal year. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2019, which are filed as Exhibit 99.3 to the Company’s Form 8-K/A filed with the SEC on March 11, 2020.

The Company closes its books and records on the last Sunday of the calendar quarter to align its financial closing with its business processes, which was on March 29, 2020 and March 31, 2019. The condensed consolidated financial statements and disclosures included herein are labeled based on that convention. This practice only affects interim periods, as the Company’s fiscal year ends on December 31.

The condensed consolidated financial statements include the accounts of PAE Incorporated and subsidiaries and ventures in which the Company owns more than 50% or otherwise controls. All intercompany amounts have been eliminated in consolidation.

Update to Significant Accounting Policies

There have been no material changes to the Company’s significant accounting policies in the Company’s 8-K/A filed with the SEC on March 11, 2020, other than Accounts Receivable, net and Net Loss Per Share as described below.

Accounts Receivable, net

Amounts billed and due from customers are recorded as billed receivables within accounts receivable, net on the condensed consolidated balance sheets. Generally, customer accounts are due within 30 to 45 days of billings. The Company recognizes an allowance for credit losses based on historical experience, current conditions and reasonable and supportable forecasts. The Company assesses its overall allowance for credit losses on an at least a quarterly basis. Prior to the implementation of the allowance for credit losses the Company recorded adjustments to an allowance for doubtful accounts when collectability was uncertain.

Net Loss Per Share

Basic net loss per common share is determined by dividing the net loss allocable to stockholders by the weighted average number of common shares outstanding during the periods presented. Diluted loss per share is computed by dividing the net loss allocable to common stockholders by the weighted average number of shares of common stock and common stock equivalents outstanding for the period.

Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between marketplace participants at the measurement date. The valuation techniques the Company utilized to measure the fair value of financial instruments are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions.

These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, and amounts included in other current assets and current liabilities that meet the definition of a financial instrument approximate fair value because of the short-term nature of these amounts.

The carrying value of the Company's outstanding debt obligations approximates its fair value. The fair value of long-term debt is calculated using Level 2 inputs, based on interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements.

3. Recent Accounting Pronouncements

Accounting Pronouncements Adopted

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for financial instruments, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost, replacing the existing incurred loss impairment model. The new standard is effective for reporting periods beginning after December 15, 2019, with early adoption permitted. The Company adopted this guidance effective January 1, 2020 under the modified retrospective method and such adoption did not have a material impact on the Company's financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Topic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract, which requires the tracking and recognition

of costs that will be capitalized as an asset and amortized over the assets useful life. The new standard is effective for reporting periods beginning after December 15, 2019, with early adoption permitted. The Company adopted this guidance effective January 1, 2020 prospectively and the standard did not have a material impact on the Company's financial statements.

4. Revenues

Disaggregated Revenues

Disaggregated revenues by customer type were as follows (*in thousands*):

	Three Months Ended March 29, 2020		
	GMS	NSS	Total
DoD	\$ 187,605	\$ 67,178	\$ 254,783
Other U.S. government agencies	250,042	70,722	320,764
Commercial and non-U.S. customers	19,797	21,909	41,706
Total	\$ 457,444	\$ 159,809	\$ 617,253

Disaggregated revenues by contract type were as follows (*in thousands*):

	Three Months Ended March 29, 2020		
	GMS	NSS	Total
Cost-reimbursable	\$ 266,080	\$ 36,903	\$ 302,983
Fixed-price	162,038	68,958	230,996
Time and materials	29,326	53,948	83,274
Total	\$ 457,444	\$ 159,809	\$ 617,253

Disaggregated revenues by geographic location were as follows (*in thousands*):

	Three Months Ended March 29, 2020		
	GMS	NSS	Total
United States	\$ 248,909	\$ 158,139	\$ 407,048
International	208,535	1,670	210,205
Total	\$ 457,444	\$ 159,809	\$ 617,253

Disaggregated revenues by customer type were as follows (*in thousands*):

	Three Months Ended March 31, 2019		
	GMS	NSS	Total
DoD	\$ 200,402	\$ 58,752	\$ 259,154
Other U.S. government agencies	274,112	89,209	363,321
Commercial and non-U.S. customers	29,966	21,043	51,009
Total	\$ 504,480	\$ 169,004	\$ 673,484

Disaggregated revenues by contract type were as follows (*in thousands*):

	Three Months Ended March 31, 2019		
	GMS	NSS	Total
Cost-reimbursable	\$ 290,691	\$ 22,222	\$ 312,913
Fixed-price	175,399	76,514	251,913
Time and materials	38,390	70,268	108,658
Total	\$ 504,480	\$ 169,004	\$ 673,484

Disaggregated revenues by geographic location were as follows (*in thousands*):

	Three Months Ended March 31, 2019		
	GMS	NSS	Total
United States	\$ 260,088	\$ 167,783	\$ 427,871
International	244,392	1,221	245,613
Total	\$ 504,480	\$ 169,004	\$ 673,484

Remaining Performance Obligations

The Company's remaining performance obligations balance represents the expected revenue to be recognized for the satisfaction of remaining performance obligations on existing contracts. This balance excludes unexercised contract option years and task orders that may be issued underneath an indefinite delivery, indefinite quantity contract. The remaining performance obligations balance as of March 29, 2020 and December 31, 2019 was \$1,386.0 million and \$1,640.0 million, respectively.

The Company expects to recognize approximately 97.9% and 2.1% of the remaining performance obligations balance as revenue over the next year and thereafter, respectively.

5. Contract Assets and Contract Liabilities

Contract assets consist of unbilled receivables which represent rights to payment for work or services completed but not billed as of the reporting date. Contract assets are recorded as unbilled receivables within accounts receivable, net on the condensed consolidated balance sheets.

Contract liabilities are advances and milestone payments from customers on certain contracts that exceed revenue earned to date. Contract liabilities are recorded as customer advances and billings in excess of costs on the condensed consolidated balance sheets.

Contract assets and contract liabilities consisted of the following as of the dates presented (*in thousands*):

	March 29, 2020	December 31, 2019
Contract assets	\$ 279,459	\$ 295,103
Contract liabilities	\$ 69,662	\$ 51,439

The decrease in contract assets of \$15.6 million during the three months ended March 29, 2020 was primarily due to the timing of billings, partially offset by revenue recognized related to the satisfaction of performance obligations.

The increase in contract liabilities of \$18.2 million during the three months ended March 29, 2020 was primarily due to the timing of advance payments from customers partially offset by revenue recognized during the period. During the three months ended March 29, 2020 and March 31, 2019, the Company recognized \$38.0 million and \$15.2 million, respectively, relating to amounts that were included in the beginning balance of contract liabilities for each of the periods.

6. Business Combinations and Acquisitions

As described in Note 1, the Business Combination was consummated on February 10, 2020. For financial accounting and reporting purposes under U.S. GAAP, the Business Combination was accounted for as a reverse acquisition and recapitalization, with no goodwill or other intangible asset recorded. Under this method of accounting, Gores III is treated as the acquired entity and Shay (legal acquiree) is deemed to have issued common stock for the net assets and equity of Gores III consisting of mainly cash, accompanied by simultaneous equity recapitalization of Shay ("Recapitalization"). The net assets of Gores III are stated at historical cost, and accordingly the equity and net assets of Shay have not been adjusted to fair value. Consequently, the consolidated assets, liabilities and results of operations of Shay are the historical financial statements of PAE Incorporated and the Gores III assets, liabilities and results of operations are consolidated with the assets, liabilities and results of operations of Shay beginning on the Closing Date. Shares and earnings per share information prior to the Business Combination have been retroactively restated to reflect the exchange ratio established in the Recapitalization.

Other than professional fees paid to consummate the transaction, the Business Combination primarily involved the exchange of cash and equity between Gores III, Shay and the stockholders of the respective companies. The aggregate proceeds paid to the Shay

stockholders on the Closing Date was approximately \$424.2 million. The remainder of the consideration paid to the Shay stockholders consisted of 21,127,823 newly issued shares of Class A Common Stock of PAE Incorporated, par value \$0.00001 per share ("Class A Common Stock").

In addition to the foregoing consideration paid on the Closing Date, former stockholders of Shay are entitled to receive additional Earn-Out Shares from PAE of up to an aggregate of 4,000,000 shares of Class A Common Stock if the price of Class A Common Stock trading on the Nasdaq exceeds certain thresholds during the five-year period following the completion of the Business Combination. See "Note 11 - Stockholders' Equity - Earn-Out Agreement" for additional information.

The Company also has certain warrants issued by Gores III that remain outstanding after the Business Combination. "See Note 11 - Stockholders' Equity" for further information about the warrants.

In connection with the Business Combination, the Company recorded \$20.9 million, net of tax as a reduction to Additional Paid in Capital related to the transaction costs. These costs were directly attributable to the Recapitalization.

7. Accounts Receivable, net

The components of Accounts receivable, net consisted of the following as of the dates presented (*in thousands*):

	March 29, 2020	December 31, 2019
Billed receivables	\$ 142,976	\$ 148,747
Unbilled receivables	279,459	295,103
Less allowance for credit losses	(1,670)	(1,670)
Total accounts receivables, net	<u>\$ 420,765</u>	<u>\$ 442,180</u>

As of March 29, 2020 approximately 93% of the Company's accounts receivable are with the U.S. government.

8. Goodwill and Intangible Assets, net

Goodwill

Based on management's assessment of goodwill, there was no impairment or change for the three months ended March 29, 2020.

The Company considered the implications of COVID-19 as it relates to the carrying value of goodwill and indefinite-lived assets. Although COVID-19 has had an adverse effect on the Company's result of operations for the first quarter of 2020, management does not currently expect that such impact will be material to the Company's full year results. Since the Company's primary customers are departments and agencies within the U.S. Government, it has not historically had significant issues collecting its receivables and management does not foresee

issues collecting receivables in the foreseeable future. In addition, the Company's contract awards typically extend to at least five years, including options, and it has a strong history of being awarded a majority of these contract options. Management does not anticipate that the pandemic will have a materially adverse impact on such awards. The Company's liquidity position has not been materially impacted, and management continues to believe that the Company has adequate liquidity to fund its operations and meet its debt service obligations for the foreseeable future.

Intangible Assets, net

The components of intangible assets, net consisted of the following as of the dates presented (*in thousands*):

	March 29, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 286,900	\$ (124,515)	\$ 162,385
Technology	1,700	(1,700)	—
Trade name	16,900	(6,868)	10,032
Total	<u>\$ 305,500</u>	<u>\$ (133,083)</u>	<u>\$ 172,417</u>
	December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 286,900	\$ (116,923)	\$ 169,977
Technology	1,700	(1,700)	—
Trade name	16,900	(6,413)	\$ 10,487
Total	<u>\$ 305,500</u>	<u>\$ (125,036)</u>	<u>\$ 180,464</u>

As of the three months ended March 29, 2020, customer relationships and trade name intangibles had weighted average remaining useful lives of 7.7 and 5.8 years, respectively. As of the year-ended December 31, 2019, customer relationships and trade name had weighted average remaining useful lives of 7.9 and 6.0 years, respectively.

For the three months ended March 29, 2020 and March 31, 2019, amortization expense was approximately \$8.0 million and \$8.7 million, respectively.

Estimated amortization expense in future years is expected to be:

	As of March 29, 2020
Remainder of 2020	\$ 24,141
2021	31,824
2022	31,775
2023	24,565
2024	20,490
Thereafter	39,622
Total	\$ 172,417

9. Consolidated Variable Interest Entities

The Company has entered into ventures and investments that allow it to participate in projects in areas where it is advantageous or required by law to partner with a local organization.

The Company is the majority shareholder and primary beneficiary of PAE (New Zealand) Limited, ATOM Training Limited, PAE-Perini LLC, Syncom Space Services LLC, PAE-SGT Partners LLC, accordingly, these entities are consolidated. As the primary beneficiary, the Company has a risk and obligation to absorb any losses significant to the VIE. The use of the assets of the VIEs to settle the Company's obligations is subject to the approval of the managing body of each VIE.

The cash flows generated by these VIEs are included within the Company's condensed consolidated statements of cash flows. The condensed consolidated balance sheets include the following amounts from these consolidated VIEs as of the dates presented (*in thousands*):

	March 29, 2020	December 31, 2019
Assets		
Total assets	\$ 126,193	\$ 127,742
Liabilities and equity		
Total liabilities	\$ 79,013	\$ 80,151
Total equity	47,180	47,591
Total liabilities and equity	\$ 126,193	\$ 127,742

The condensed consolidated statements of operations include the following amounts from consolidated VIEs for the periods presented (*in thousands*):

	Three Months Ended	
	March 29, 2020	March 31, 2019
Income statements		
Revenues	\$ 87,191	\$ 63,260
Cost of revenues	68,525	50,402
Selling, general and administrative expenses	18,017	18,289
Total operating expenses	86,542	68,691
Program income (loss)	649	(5,431)
Other expense, net	(1,049)	(354)
Net loss	\$ (400)	\$ (5,785)

10. Debt.

Long-term debt consisted of the following as of the dates presented (*in thousands*):

	March 29, 2020	December 31, 2019
First Term Loan	\$ 506,772	\$ 506,772
Second Term Loan	128,784	265,329
Revolving Credit Facility	—	—
Total debt	635,556	772,101
Unamortized discount and debt issuance costs	(17,064)	(22,164)
Total debt, net of discount and debt issuance costs	618,492	749,937
Less current maturities of long-term debt	(22,894)	(22,007)
Total long-term debt, net of current	\$ 595,598	\$ 727,930

Credit Agreement

The Company's borrowing arrangement provides for current borrowings up to \$506.7 million under a first lien term loan credit agreement, dated October 26, 2016, as amended (the "First Term Loan"), \$265.3 million under a second lien term loan credit agreement, dated October 26, 2016, as amended (the "Second Term Loan"), and \$150 million under a revolving credit facility dated October 26, 2016, as amended (the "Revolving Credit Facility," and together with the First Term Loan and the Second Term Loan, the "Credit Agreements"). Principal and interest are due quarterly on the First Term Loan and interest only is due quarterly on the Second Term Loan. The maturity date of the First Term Loan is October 20, 2022. For the Second Term Loan the maturity date is October 20, 2023. For the Company's Revolving Credit Facility the maturity date is October 20, 2021.

In connection with the Business Combination, Shay was required to amend its existing credit facilities and reduce its outstanding indebtedness under its credit facilities such that the total indebtedness under the facilities, minus cash on hand at the consummation of the transaction would not be greater than \$572.1 million. Immediately after the closing of the transaction the outstanding balance on the Second Term Loan was reduced by approximately \$136.5 million to a principal balance of \$128.8 million.

The Credit Agreements require the Company to comply with specified financial covenants under certain circumstances, including the maintenance of certain leverage ratios.

The Credit Agreements also contain various non-financial covenants, including affirmative covenants with respect to reporting requirements and maintenance of business activities, and negative covenants that, among other things, may limit or impose restrictions on the Company's ability to alter the character of the business, consolidate, merge, or sell assets, incur liens or additional indebtedness, make investments, and undertake certain additional actions.

The Company was in compliance with the financial covenants under the Credit Agreements as of March 29, 2020 and December 31, 2019, respectively.

Future principal maturities of the Company's long-term debt are summarized as follows (*in thousands*):

	As of March 29, 2020
Remainder of 2020	\$ 29,810
2021	29,810
2022	447,152
2023	128,784
2024	—
Total	<u>\$ 635,556</u>

As of March 29, 2020 and December 31, 2019, the available borrowing capacity under the Revolving Credit Facility was approximately \$103.9 million and \$121.8 million, respectively.

Interest Rates on Credit Agreements

The interest rate per annum applicable to amounts borrowed under the First Term Loan is equal to either the Base Rate (as defined below) or the LIBO Rate (as defined below), in either case, plus (i) 4.5% in the case of the Base Rate loans and (ii) 5.5% in the case of LIBO Rate loans.

The interest rate per annum applicable to amounts borrowed under the Second Term Loan is equal to either the Base Rate or the LIBO Rate, in either case, plus (i) 8.5% in the case of the Base Rate loans and (ii) 9.5% in the case of LIBO Rate loans

The "Base Rate" is defined as a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus one half of one percent, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America ("BoFA") as its "prime rate," and (c) the LIBO Rate for a LIBO Rate loan with a one month Interest Period commencing on such day plus

1.0%. The “prime rate” is a rate set by BofA based upon various factors including BofA’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. The LIBO Rate is defined as the rate per annum equal to the London Interbank Offered Rate or a comparable or successor rate, whichever rate is approved by the Administrative Agent (as that term is defined in the Credit Agreements).

The interest rate per annum applicable to the Revolving Credit Facility is equal to either a Base Rate or a LIBO Rate plus (i) a range of 0.75% to 1.25% in the case of Base Rate loans and (ii) a range of 1.75% to 2.25% in the case of LIBO Rate loans, each based on average availability as of the first day of each quarter.

As of March 29, 2020 and December 31, 2019, the applicable interest rate on the amounts borrowed under the First Term Loan was 7.1% and 7.4%, respectively. As of March 29, 2020 and December 31, 2019, the applicable interest rate on amounts borrowed under the Second Term Loan was 11.1% and 11.4%, respectively.

As of both March 29, 2020 and December 31, 2019, the applicable interest rate on amounts borrowed under the Revolving Credit Facility was 5.8%.

In addition, the interest rate on our term loan borrowings and revolving loan borrowings is based on the London Interbank Offered Rate (“LIBOR”). LIBOR is the subject of recent national, international, and other regulatory guidance and proposals for reform. In July 2017, the Chief Executive of the U.K. Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that the FCA will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021, and it appears likely that LIBOR will be discontinued or modified by 2021. The consequences of the discontinuance of the LIBOR benchmark cannot be entirely predicted but could include an increase in the cost of our variable rate indebtedness.

Letters of Credit

The Company had 11 outstanding letters of credit for program and insurance requirements totaling approximately \$21.2 million as of both March 29, 2020 and December 31, 2019.

11. Stockholders’ Equity

Authorized and Outstanding Stock

In connection with the Business Combination, the Company made changes to its capital stock. The Company’s amended and restated certificate of incorporation authorizes the issuance of 211,000,000 shares of capital stock, par value of \$0.0001 per share, consisting of (a) 210,000,000 shares of Class A common stock, and (b) 1,000,000 shares of preferred stock.

As a result of the Business Combination, the shares issued to Shay Stockholders are reflected as if they were issued and outstanding as of the earliest reported period to reflect the new capital structure.

Warrants

As of March 29, 2020, there were warrants outstanding to acquire 19,999,985 shares of our Class A Common Stock including: (i) 13,333,319 warrants sold as part of the public units issued in our IPO on September 11, 2018 (the "Public Warrants"), and (ii) 6,666,666 warrants issued or transferred to our former sponsor in a private placement on the IPO closing date (the "Private Placement Warrants" and, together with the Public Warrants, the "Warrants"). The Company currently has an effective registration statement on Form S-1 relating to the issuance by the Company of up to (i) 13,333,333 shares of its Class A Common Stock issuable upon the exercise of the outstanding Public Warrants, and (ii) 6,666,666 shares of its Class A Common Stock issuable upon exercise of the Private Placement Warrants.

Each whole Warrant entitles the registered holder to purchase one share of Class A Common Stock at a price of \$11.50 per share. The Warrants became exercisable on March 11, 2020, thirty days following the completion of the Business Combination, and expire five years after that date, or upon redemption or liquidation. The Company may redeem outstanding Public Warrants and, unless held by the former sponsor or its permitted transferees, the Private Placement Warrants at a price of \$0.01 per Warrant, provided the last reported sales price of the Company's Class A Common Stock equals or exceeds \$18.00 per share for any 20 trading days within a 30-trading-day period ending on the third business day before the Company gives proper notice of such redemption to the warrant holders.

The Private Placement Warrants are identical to the Public Warrants except that, so long as they are held by the former sponsor or its permitted transferees: (i) they will not be redeemable by the Company; (ii) they may be exercised by the holders on a cashless basis; and (iii) they are subject to registration rights.

Any transactions related to the Warrants are recorded within the stockholder's equity section of the Company's condensed consolidated financial statements. However, the issuance of shares pursuant to the exercise of these warrants is contingent upon the share price reaching \$11.50. Therefore, share activity related to such warrants will not be recorded until such time as the contingency has been met.

Earn-Out Agreement

In connection with the Business Combination, stockholders of Shay immediately prior to the transaction (which stockholders consisted of certain affiliates of Platinum Equity LLC and members of PAE management, (the "Shay Stockholders") will be entitled to receive up to an aggregate of 4,000,000 additional shares of Class A Common Stock (the "Earn-Out Shares") if at any time during the five-year period following the Closing Date (the "Earn-Out Period") the volume weighted average closing sale price of one share of Class A Common Stock on the Nasdaq (or the exchange which shares Class A Common Stock are then listed) for a period of at least 10 days out of 20 consecutive trading days (the "Common Share Price") exceeds certain thresholds, described below.

The thresholds (each a "Triggering Event") causing the Earn-Out Shares to be issued by the Company to the Shay Stockholders is any such event occurs within the Earn-Out period are: (i) a one-time issuance of 1,000,000 shares if the Common Share Price is greater than \$13.00; (ii) a one-time issuance of 1,000,000 shares if the Common Share Price is greater than \$15.50; (iii)

a one-time issuance of 1,000,000 shares if the Common Share Price is greater than \$18.00; and (iv) a one-time issuance of 1,000,000 shares if the Common Share Price is greater than \$20.50.

Further, if during the Earn-Out Period there is a change in control (as defined in the Merger Agreement) that results in the holders of Class A Common Stock receiving a per share price in respect of their Class A Common Stock that is equal to or greater than the applicable Common Share Price required in connection with any Triggering Event (an "Acceleration Event"), then any such Triggering Event that has not previously occurred will be deemed to have occurred, and the Company must issue Earn-Out Shares accordingly.

If no Triggering Event or Acceleration Event is achieved within the Earn-Out Period, the Company will not be required to issue the Earn-out Shares. No Triggering Event or Acceleration Event was achieved during the three months ended March 29, 2020.

Any transactions related to Earn-Out Shares are recorded within the stockholder's equity section of the Company's condensed consolidated financial statements. Earn-Out Shares will be recognized as Stock Dividends and recorded at fair value as an increase in Accumulated Deficit (or reduction of Retained Earnings) and in increase in Common Stock and Additional Paid-in Capital when they are effectively declared by virtue of a Triggering Event being achieved.

12. Stock-Based Compensation

2016 Participation Plan

On May 23, 2016, the Company adopted the Pacific Architects and Engineers Incorporated 2016 Participation Plan (the "2016 Participation Plan"). The purpose of the 2016 Participation Plan was to provide incentive compensation to key employees by granting performance units ("Units"). The Units were valued on the date of grant by the Compensation Committee (the "Committee"). Participants in the Plan were entitled to receive compensation for their Units in the event a qualifying event occurs. In connection with the Business Combination, which was a qualifying event, the 2016 Participation Plan was terminated effective immediately prior to the Closing Date and, in exchange for a release of claims relating to the plan, plan participants received payments totaling approximately \$17.4 million. The \$17.4 million was paid out during the three months ended March 29, 2020, and was recorded as compensation expense.

2020 Incentive Plan

Prior to the closing of the Business Combination, the Gores III board of directors and stockholders approved the PAE Incorporated 2020 Equity Incentive Plan (the "2020 Incentive Plan"). The 2020 Incentive Plan provides for the grant of stock options, stock appreciation rights, restricted units and other stock or cash-based awards. There were no grants issued under the 2020 Incentive Plan during the three months ended March 29, 2020.

In connection with the Business Combination, the Company agreed to issue restricted stock units (RSUs) to employees representing the right to receive 1,581,960 shares of its Class A Common Stock (which was taken out of the proceeds at closing of the Business Combination of the Shay Stockholders). On April 14, 2020, subject to the effectiveness of a Form S-8 registration statement filed with the SEC on such date, the Company issued 1,581,960 RSUs to certain employees out of the shares approved for issuance under the 2020 Incentive Plan.

These RSUs will cliff vest in a single installment on February 10, 2021, subject to the terms of the grant agreements and the 2020 Incentive Plan.

Also, on April 14, 2020, subject to the effectiveness of a Form S-8 registration statement filed with the SEC on such date, the Company issued 35,875 RSUs to its three independent directors in connection with their annual compensation as directors. Such RSUs will cliff vest in a single installment on February 9, 2021, subject to the terms of the grant agreements and the 2020 Incentive Plan.

On May 1, 2020, the Company issued 339,111 RSUs to certain employees out of the shares approved for issuance under the 2020 Incentive Plan. These RSUs cliff vest in a single installment on February 10, 2022, subject to the terms of the grant agreements and the 2020 Incentive Plan. Also, on May 1, 2020, the Company issued 220,202 RSUs to certain employees out of the shares approved for issuance under the 2020 Incentive Plan. These RSUs vest in equal annual installments over four years commencing February 10, 2021, subject to the terms of the grant agreements and the 2020 Incentive Plan. Also, on May 1, 2020, the Company issued 330,303 performance-based RSUs to certain employees out of the shares approved for issuance under the 2020 Incentive Plan. These performance-based RSUs earn out over a 3-year performance period, subject to the terms of the grant agreements and the 2020 Incentive Plan.

13. Net Loss Per Share

Basic net loss per common share is determined by dividing the net loss attributed to stockholders by the weighted average number of common shares outstanding during the periods presented. Diluted loss per share is determined by adjusting the weighted average number of shares of common stock and common stock equivalents outstanding for the dilutive effect of common stock equivalents for the periods presented.

The following table sets forth the computation of basic and diluted loss per share attributable to the Company's common stockholders for the periods presented (*in thousands, except shares and per share amounts*):

	Three Months Ended	
	March 29, 2020	March 31, 2019
Numerator:		
Net loss attributed to PAE Incorporated	\$ (4,943)	\$ (5,719)
Denominator:		
Basic and diluted weighted average shares	59,807,549	21,127,823
Basic and diluted loss per share	<u>\$ (0.08)</u>	<u>\$ (0.27)</u>

The Company has not included the effect of 19,999,985 shares of Common Stock issuable upon the exercise of Warrants in the calculation of diluted net loss per share for the three months ended March 29, 2020 and the three months ended March 31, 2019 because the inclusion of such shares would be antidilutive based on the net loss reported. Warrants are considered antidilutive and excluded when the exercise price exceeds the average market value of the Company's common stock price during the applicable period.

The Company has not included the effect of 4,000,000 Earn-Out Shares in the calculation of basic and diluted net loss per share for the three months ended March 29, 2020. The condition for the issuance of these shares based on the volume of weighted average closing sale price of the Company's Class A Common Stock had not been met as of March 29, 2020.

14. Leases

At March 29, 2020, the Company had ROU assets, net of \$161.7 million and lease liabilities of \$165.8 million recorded on the condensed consolidated balance sheet.

The Company rents certain facilities and equipment under operating leases. The Company's total lease cost is recorded primarily within SG&A on the condensed consolidated statements of operations. Rents which are directly chargeable to a project are charged to cost of revenues. During the three months ended March 29, 2020 and March 31, 2019, the Company recognized operating lease costs of approximately \$14.1 million and \$17.5 million, respectively.

The Company's future minimum operating lease payments for noncancelable operating leases were as follows (*in thousands*):

	As of
	March 29, 2020
Remainder of 2020	\$ 29,884
2021	41,558
2022	36,223
2023	32,332
2024	27,657
Thereafter	51,613
Total future minimum lease payments	219,267
Less imputed interest	53,517
Present value of minimum lease payments	165,750
Less current maturities of lease liabilities	35,324
Long-term lease liabilities	\$ 130,426

The weighted-average remaining lease term and the weighted-average discount rate for the Company's operating leases were approximately 7.63 years and 7.4%, respectively, at March 29, 2020.

The Company made cash payments of approximately \$12.0 million for operating leases for the three months ended March 29, 2020, which are included in cash flows from operating activities in the condensed consolidated statement of cash flows.

15. Legal Proceedings, Commitments, and Contingencies

The Company is a party to, or has property subject to, litigation and other proceedings. Management believes the probability is remote that the outcome of the matters will have a material adverse effect on its operations as a whole, notwithstanding that the unfavorable resolution of any matter may have a material effect on net earnings in a future period. The Company cannot predict the outcome of legal proceedings and loss or range of loss contingencies with certainty.

16. Segment Reporting

The Company's operations and reportable segments are organized around the nature of the products and services provided to customers. The Company defines its reportable segments based on the way the chief operating decision maker ("CODM"), currently its President and Chief Executive Officer, manages the operations of the Company for purposes of allocating resources and assessing performance.

The GMS operating segment provides support to the U.S. Government and its partners within and outside the United States providing sustainment, training and readiness support and advancing foreign policy objectives. The NSS operating segment provides a wide-ranging portfolio of offerings that support all facets of national security, including intelligence, homeland security and civil government missions.

While the CODM uses a variety of different measures to evaluate the Company's segments, the primary measures used to evaluate segment performance are revenues and operating income. As a result, interest expense, net and provision for income taxes as recorded on the condensed consolidated statements of operations are not allocated to the Company's operating segments.

The following table shows information by reportable segment for the periods presented (in thousands):

	Three Months Ended	
	March 29, 2020	March 31, 2019
Revenues		
GMS	\$ 457,444	\$ 504,480
NSS	159,809	169,004
Corporate	—	—
Total revenues	<u>\$ 617,253</u>	<u>\$ 673,484</u>
Operating income		
GMS	\$ 12,603	\$ 25,792
NSS	4,367	(786)
Corporate	(9,513)	(10,653)
Total operating income	<u>\$ 7,457</u>	<u>\$ 14,353</u>
Amortization of intangible assets		
GMS	\$ 4,115	\$ 4,258
NSS	3,932	4,399
Corporate	—	—
Total amortization of intangible assets	<u>\$ 8,047</u>	<u>\$ 8,657</u>

Under U.S. Government cost accounting standards, indirect costs including depreciation expense are collected in numerous indirect cost pools, which are then collectively allocated to the Company's reportable segments based on a representative causal or beneficial relationship of the costs in the pool to the costs in the base. While depreciation expense is a component of the allocated costs, the allocation process precludes depreciation expense from being specifically identified by the Company's individual reportable segments. For this reason, depreciation expense by reportable segment is not presented separately above.

Asset information by segment is not a key measure of performance used by the CODM and therefore segment assets are not presented.

Less than 10% of the Company's revenues and tangible long-lived assets are generated by or owned by entities outside of the United States. Therefore, additional segment financial information by geographic location is not presented.

17. Related-Party Transactions

Tax Overpayment/Underpayment Amount

In connection with the Business Combination, the Shay Stockholders are entitled to the payment of the net cash savings, if any, in U.S. federal, state and local income tax that the post-closing

company actually realizes (or is deemed to realize in certain circumstances) in periods after the Closing Date. The Company estimates the payment to the Shay Stockholders will be approximately \$4.7 million. The liability for this estimated payment and the corresponding charge to equity of \$4.7 million are reflected in the Company's consolidated balance sheets as of March 29, 2020.

Advisory Services

During the three months ended March 29, 2020 and twelve months ended December 31, 2019, the Company recognized management fees, transaction and advisory fees, and expenses of approximately \$15.0 million and \$5.1 million, respectively. As a result of the Business Combination the \$15.0 million was grouped with other similar transactional expenses and recorded as a reduction to the recapitalized equity. The December 31, 2019 amount of \$5.1 million was recorded in selling, general and administrative expenses on the condensed consolidated balance sheets.

These expenses were for services rendered by one or more affiliates of Platinum Equity LLC.

18. Income Taxes

The Company's provision for income tax benefit was as approximately \$8.7 million, and its effective income tax rate was 64.6% for the three months ended March 29, 2020. The Company's provision for income taxes was a benefit of approximately \$3.1 million, and its effective income tax rate was 37.9% for the three months ended March 31, 2019.

The provision for income taxes for the period ended March 29, 2020 differed from the U.S. federal statutory rate computed by applying the U.S. federal statutory rate to income or loss before income taxes primarily due to the benefit of Foreign Derived Intangible Income ("FDII"), increased prior year interest expense deduction under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), nontaxable income and settlement of foreign taxes. The provision for income taxes for the period ended March 31, 2019 differed from the U.S. federal statutory rate computed by applying the U.S. federal statutory rate to income or loss before income taxes primarily due to a disallowed interest deduction offset by a benefit from the foreign derived intangible income deduction and non-controlling interest deduction.

On March 27, 2020, President Trump signed into U.S. federal law the CARES Act, which is aimed at providing emergency assistance and health care for individuals, families, and businesses affected by the COVID-19 pandemic and generally supporting the U.S. economy. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carry-back periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property.

In particular, under the CARES Act, for taxable years beginning in 2019 and 2020, the base for interest deductibility is increased from 30% to 50% of EBITDA. As of March 29, 2020, the company estimated that the tax benefit on increased 2019 interest expense deduction related to CARES Act is approximately \$3.6 million. We are in the process of analyzing the different aspects of the CARES Act to determine whether any other specific provisions may impact the Company.

Under the CARES Act, a relief is available to us and other companies in 2020 relating to the deferral of the payment of the 6.2% employer share of Social Security tax. That also will be a significant source of additional liquidity this year. As we point out, we estimate this will benefit our cash flows this year by about \$33.0 million. Half of this payroll tax funding deferral or about \$16.5 million does not have to be repaid until December of 2021. The other half will not have to be repaid until December 2022.

19. Subsequent Events

On May 5, 2020, the Company entered into employment agreements with each of its named executive officers. Each of the employment agreements was approved by the Compensation Committee of the Company's Board of Directors and has a two year initial term. Each term will automatically renew for a one-year term unless either party provides a notice of non-renewal 60 days prior to the end of the then current term. The employment agreements include terms for annual compensation, annual bonus and severance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of management on the Company's financial condition, results of operations, liquidity and certain other factors that may affect future results. The following discussion of the Company's financial condition and results of operations should be read in conjunction with the MD&A and the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, which was filed with the Securities and Exchange Commission (the "SEC") on March 11, 2020, the Company's Current Report on Form 8-K/A filed with the SEC on March 11, 2020, the Form 424B3 prospectus filed with the SEC on April 23, 2020, and the unaudited condensed consolidated financial statements and related notes contained in this Quarterly Report on Form 10-Q. Unless otherwise noted, the MD&A compares the three-month period ended March 29, 2020 to the three-month period ended March 31, 2019.

This Quarterly Report on Form 10-Q of PAE contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements include information concerning the Company's plans, objectives, goals, strategies, future events, future revenues, performance, capital expenditures, financing needs and other information that is not historical information. Many of these statements appear, in particular, in the MD&A. When used in this Quarterly Report on Form 10-Q, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "may," "should," "assumes," "seeks," and variations of such words or similar expressions, or the negatives thereof, are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, those based on the Company's examination of historical operating trends, are based upon the Company's current expectations and various assumptions. The Company believes there is a reasonable basis for its expectations and assumptions, but there can be no assurance that the Company will realize its expectations or that the Company's assumptions will prove correct.

There are a number of risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking statements contained in this Quarterly Report. Important factors that could cause the Company's actual results to differ materially from those expressed as forward-looking statements are set forth in the Company's 2019 Annual Report on Form 10-K in Part I, Item 1A under the heading Risk Factors, the Company's Current Report on Form 8-K/A filed on March 11, 2020 under the heading Risk Factors, and the Company's Form 424B3 prospectus filed on April 23, 2020 under the heading Risk Factors. Such risks, uncertainties and other important factors include, among others, risks related to:

- a loss of contracts with the U.S. federal government or its agencies or other state, local or foreign governments or agencies, including as a result of a reduction in government spending;
- service failures or failures to properly manage projects;
- issues that damage our professional reputation;
- disruptions in or changes to prices of our supply chain, including from difficulties in the supplier qualification process;

- failures on the part of our subcontractors or joint venture partners to perform their contractual obligations;
- failures to maintain strong relationships with other contractors;
- the impact of a negative audit or other investigation;
- failure to comply with numerous laws and regulations regarding procurement, anti-bribery and organizational conflicts of interest;
- inability to comply with the laws and other security requirements governing access to classified information;
- inability to share information from classified contracts with investors;
- the impact of implementing various data privacy and cybersecurity laws;
- costs and liabilities arising under various environmental laws and regulations;
- various claims, litigation and other disputes that could be resolved against PAE;
- delays, contract terminations or cancellations caused by competitors' protests of major contract awards received by us;
- risks from operating internationally;
- disruptions caused by natural or environmental disasters, terrorist activities or other events outside our control;
- the impact of public health crises, such as the coronavirus (COVID-19);
- issues arising from cybersecurity threats or intellectual property infringement claims;
- the loss of members of senior management;
- the inability to attract, train or retain employees with the requisite skills, experience and security clearances;
- the impact of the expiration of our collective bargaining agreements; and
- other risks and uncertainties described in this Form 10-Q, including under the section entitled "Risk Factors," and described in our other filings with the SEC.

There may be other factors that may cause the Company's actual results to differ materially from those expressed in these forward-looking statements. Except as may be required by law, the Company undertakes no obligation to publicly update or revise forward-looking statements that may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

Stockholders of the Company should read the following discussion and analysis of our financial condition and results of operations together with the condensed consolidated financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q.

This MD&A generally discusses 2020 and 2019 items and year-over-year comparisons between 2020 and 2019. As used in this MD&A, unless the context indicates otherwise, the financial information relating to the quarter ended March 31, 2019 are those of Shay Holdings and its subsidiaries, and the financial information and data for the quarter ended March 29, 2020 includes the financial information and data of Shay Holdings and its subsidiaries for the period prior to the Closing and the financial information and data of PAE Incorporated for the period subsequent to the Closing. See "Note 1 – Description of Business" and "Note 6 – Business Combinations and Acquisitions" for additional information.

We are subject to the informational requirements of the Exchange Act, and we file or furnish reports, proxy statements and other information with the SEC. Such reports and other information we file with the SEC are available free of charge at <https://investors.pae.com/financials-and-filings/sec-filings> as soon as practicable after such reports are available on the

SEC's website at www.sec.gov. The SEC's website contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We periodically provide other information for investors on our corporate website, www.pae.com, and our investor relations website, <https://investors.pae.com>. This includes press releases and other information about financial performance, information on corporate governance and details related to our annual meeting of stockholders. We intend to use our website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor our website, in addition to following the Company's press releases, SEC filings and public conference calls and webcasts. The information contained on the websites referenced in this Quarterly Report on Form 10-Q is not incorporated by reference into this filing. Further, our references to website URLs are intended to be inactive textual references only.

Business Overview

PAE is a leading, highly diversified, global company that provides a broad range of operational solutions and outsourced services to meet the critical, enduring needs of the U.S. government, other allied governments, international organizations and companies. PAE merges technology with advanced business practices to deliver faster, smarter and more efficient managed services. Whether clients require high-profile support to operate the largest U.S. embassies around the world or need technical solutions for programs that monitor bioterrorism agents, PAE delivers for its customers. PAE leverages its scale, 65 years of experience and talented global workforce of approximately 20,000 to provide the essential services PAE's clients need to tackle some of the world's toughest challenges.

Basis of Presentation

PAE provides integrated support solutions, including defense and military readiness, diplomacy, peacekeeping, development, host nation capacity building, aircraft and ground equipment maintenance and logistics, and operations and maintenance of facilities and infrastructure. Customers include agencies of the U.S. Government, such as the Department of Defense ("DoD") and Department of State ("DoS"), allied foreign governments, and international organizations such as the United Nations.

PAE's operations are organized into two reportable segments, Global Mission Services ("GMS") and National Security Solutions ("NSS").

- The GMS segment generates revenues through contracts under which PAE provides customers with logistics and stability operations, force readiness and infrastructure management.
- The NSS segment generates revenues through contracts under which PAE provides customers with counter-threat solutions, intelligence solutions and information optimization.

Segment performance is based on consolidated revenues and consolidated operating income. For additional information regarding PAE's reportable segments, refer to "Note 16 - Segment Reporting" of the notes to PAE's condensed consolidated financial statements.

Factors Affecting PAE's Operating Results

Business Combinations and Acquisitions

Business Combination

Merger Consideration

As described in "Note 1 - Description of the Business" and "Note 6 - Business Combinations and Acquisitions" of the notes to the condensed consolidated financial statements, the Company completed the Business Combination on February 10, 2020. Pursuant to the terms of the Merger Agreement, the aggregate merger consideration paid for the Business Combination was approximately \$1,427.0 million. The consideration paid to the Shay Stockholders consisted of a combination of cash and stock consideration. The aggregate cash consideration paid to the Shay Stockholders at the Closing was approximately \$424.2 million, consisting of (a) approximately \$408.0 million of cash available to Gores III from its trust account, after giving effect to income and franchise taxes payable in respect of interest income earned in the trust account and redemptions that were elected by Gores III's public stockholders, plus (b) all of Gores III's other cash and cash equivalents, plus (c) gross proceeds of approximately \$220.0 million from a private placement offering conducted by Gores III in which investors purchased an aggregate of 23,913,044 shares of Class A Common Stock for \$9.20 per share, less (d) certain transaction fees and expenses, including the payment of deferred underwriting commissions agreed to at the time of Gores III's initial public offering, less (e) certain payments to participants in the 2016 Participation Plan, less (f) approximately \$136.5 million used to repay a portion of the indebtedness of Shay immediately prior to the Closing, less (g) approximately \$33.8 million of transaction fees and expenses of Shay. The remainder of the consideration paid to the Shay Stockholders consisted of 21,127,823 newly issued shares of Class A Common Stock.

In addition to the foregoing consideration paid on the Closing Date, Shay Stockholders will be entitled to receive additional Earn-Out Shares of up to an aggregate of four million shares of Class A Common Stock, if the price of Class A Common Stock trading on the Nasdaq exceeds certain thresholds during the five-year period following the completion of the Business Combination or if there is an Acceleration Event. See "Note 11 - Stockholders' Equity - Earn-Out Agreement" of the notes to the condensed consolidated financial statements for additional information.

Incentive Plan

For a discussion on the 2020 Incentive Plan refer to "Note 12 - Stock-Based Compensation" of the notes to the condensed consolidated financial statements.

Debt

In connection with the Business Combination, Shay was required to amend its existing credit facilities and reduce its outstanding indebtedness under its credit facilities such that the total indebtedness under the facilities, minus cash on hand at the consummation of the transaction would not be greater than \$572.1 million. Immediately after the closing of the transaction the outstanding balance on the Second Term Loan was reduced by approximately \$136.5 million to a principal balance of \$128.8 million.

Financial and Other Highlights

From December 31, 2019 to March 29, 2020, PAE's overall contract backlog grew by 1.0% from \$6,351.8 million to \$6,388.3 million, of which \$1,163.7 million was funded. Backlog is an operational measure representing PAE's estimate of the amount of revenue that it expects to realize over the remaining life of awarded contracts and task orders; the funded backlog refers to the value on contracts for which funding is appropriated less revenues previously recognized on these contracts. Unfunded backlog represents the estimated future revenues to be earned from negotiated contracts for which funding has not been appropriated or authorized, and unexercised priced contract options. The total backlog consists of remaining performance obligations plus unexercised options. PAE believes backlog is a useful metric for investors because it is an important measure of business development performance and revenue growth. This metric is used by management to conduct and evaluate its business during its regular review of operating results for the periods presented. See "Note 4 - Revenues" of the notes to the condensed consolidated financial statements for more information.

The estimated value of PAE's total backlog was as follows (*in thousands*):

	As of March 29, 2020	As of December 31, 2019
Global Mission Services:		
Funded GMS backlog	\$ 904,871	\$ 1,173,196
Unfunded GMS backlog	3,850,641	3,393,081
Total GMS backlog	<u>\$ 4,755,512</u>	<u>\$ 4,566,277</u>
National Security Solutions:		
Funded NSS backlog	\$ 258,828	\$ 311,214
Unfunded NSS backlog	1,373,985	1,474,309
Total NSS backlog	<u>\$ 1,632,813</u>	<u>\$ 1,785,523</u>
Total:		
Funded backlog	\$ 1,163,699	\$ 1,484,410
Unfunded backlog	5,224,626	4,867,390
Total backlog	<u>\$ 6,388,325</u>	<u>\$ 6,351,800</u>

As of March 29, 2020, PAE had a contract base of more than 400 active contracts and task orders. PAE served as the prime contractor on approximately 96% of its contracts. The DoD and DoS are PAE's largest customers and accounted for 36.8% and 19.5% of its revenue during the three months ended March 29, 2020, respectively. International Logistics and Stabilization, Infrastructure and Logistics, Readiness and Sustainment, and Business Process Solutions were PAE's largest contributors by service area, representing 32%, 28%, 14%, and 14% of its revenue, respectively. PAE's long-tenured contracts have created a recurring base business with its top revenue-generating contracts having a weighted average contract length of greater than 7 years, as of March 29, 2020. We believe that revenue from these long-running contracts will continue to be secure as PAE's contracts are predominately funded from stable portions of the DoD budget with little dependence on wartime or emergency overseas contingency operations funding.

Trends and Factors Affecting PAE's Future Performance

External Factors

Because PAE's business primarily focuses on providing services to the U.S. Government and allied nations and organizations, PAE's performance is inherently linked to governmental missions and goals. We have concentrated our business efforts on those missions and goals that are enduring and that have limited exposure to abrupt policy changes. For example, PAE has supported U.S. embassies since the 1970s. We are also trusted by our customers to support them on major policy initiatives that require immediate response to solve an acute crisis. Examples of this work include our rapid establishment and operation of Ebola treatment units in Liberia in 2015 and our work this year on behalf of the state of Georgia in converting a convention center to a COVID-19 treatment center in less than one week.

Over most of the last two decades, the U.S. Government has increased its reliance on the private sector for a wide range of professional and support services. This increased use of outsourcing by the U.S. Government has been driven by a variety of factors, including lean-government initiatives launched in the 1990s, surges in demand during times of national crisis, the increased complexity of missions conducted by the U.S. military and the DoS, increased focus of the U.S. military on war-fighting efforts and loss of skills within the government caused by workforce reductions and retirements.

Although the size of future U.S. Government department and agency budgets remains subject to change, current indications are that overall U.S. Government spending will remain consistent with current spending levels. PAE believes the following industry trends will result in continued strong demand in the target markets for the types of services it provides:

- the continued transformation of military forces, leading to increased outsourcing of non-combat functions, including life-cycle asset management functions ranging from organizational to depot level maintenance;
- an increased level of coordination between the DoS and DoD on key national security initiatives and foreign policies;
- increased maintenance, overhaul and upgrade needs to support aging military platforms; and
- the on-going evolution of international relations that may require enhanced or new policy initiatives.

Current Economic Conditions

PAE believes that its industry and customer base are less likely to be affected by many of the factors generally affecting business and consumer spending. PAE's contract awards typically extend to five years, including options, and it has a strong history of being awarded a majority of these contract options. Additionally, since PAE's primary customers are departments and agencies within the U.S. Government, it has not historically had significant issues collecting its receivables. However, PAE cannot be certain that the economic environment, government debt levels, or other factors will not adversely impact its business, financial condition or results of operations in the future. The government has taken several financial precautions and measures

to combat the current financial market conditions. The Company cannot ascertain the impact that these economic conditions may have on its business.

Impact of COVID-19

We continue to work with our stakeholders (including customers, employees, suppliers and local communities) to address this global pandemic. Specifically, we are working closely with our customers, including those within the U.S. Government, to permit continued contract performance and to mitigate the impact of the current COVID-19 pandemic on our operations and personnel. We continue to review our contractual provisions, hold discussions with customers regarding the pandemic's potential impact on contract operations, and take actions to reduce the impact of COVID-19 on our business, workforce, supply chain, revenues, and results of operations. We are continuing to monitor the impact of the pandemic and other related uncertainties on financial markets, which has caused us to delay undertaking certain actions in support of our strategic plans. In response to COVID-19, we have taken a number of steps to ensure the protection of employees and customers, as well as to mitigate any operational and financial impacts. In particular, we are:

- Implementing enhanced safety protocols, including at customer sites, in order to protect our employees and customers and to maintain continuity of operations;
- Monitoring on a daily basis the COVID-19 status of employees and independent contractors;
- Reviewing on a daily basis the impact of COVID-19 on programs, facilities and contracts with customers;
- Reducing overhead costs by among other things delaying planned hiring and by cancelling travel that is not directly related to program requirements;
- Developing contingency and business continuity plans in case COVID-19 disruptions increase or key personnel become incapacitated;
- Identifying new business opportunities related to COVID-19, including expanded service offerings for existing customers;
- Entering into contract modifications and advance agreements where applicable to permit recovery of costs relating to COVID-19; and
- Engaging in frequent and ongoing dialogue and contract negotiations with customers to either:
 - Permit PAE employees to continue to work safely (including remotely); or,
 - Permit PAE to be reimbursed the costs of paid leave for employees who are unable to work (as provided by Section 3610 of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act")).

Due to the nature of our business, and although our operations have been disrupted by the COVID-19 pandemic, the impact has not been material to date. In particular, our U.S. Government customers have taken steps to ensure the continuance of many of the services provided by us and other contractors, including, but not limited to, designating certain PAE contracts as essential for continued performance and authorizing remote work for contractor personnel that cannot access worksites. In addition, the impact may be further mitigated by the CARES Act, which allows U.S. government agencies to reimburse contractors such as us for paid leave for employees who cannot access work sites or telework. However, some U.S. Government customers have suspended or reduced work under certain of our contracts.

Although COVID-19 has had an adverse effect on our results of operations for the first quarter of 2020, we do not currently expect that such impact will be material to our full year results based on information known to us at this time. Since our primary customers are departments and agencies within the U.S. Government, we have not historically had significant issues collecting our receivables and do not foresee issues collecting our receivables in the foreseeable future. In addition, our contract awards typically extend to at least five years, including options, and we have a strong history of being awarded a majority of these contract options; we do not anticipate that the pandemic will have a materially adverse impact on such awards.

Our liquidity position has not been materially impacted, and we continue to believe that we have adequate liquidity to fund our operations and meet our debt service obligations for the foreseeable future. However, we cannot predict the impact of the COVID-19 pandemic, and the longer the duration of the event and the more widespread in geographic locations where we and our suppliers operate, the more likely it is that it could have an adverse impact on our financial condition, results of operations, and/or cash flows in the future.

Inflation and Pricing

Most of PAE's contracts provide for estimates of future labor costs to be escalated for any option periods, while the non-labor costs in its contracts are normally considered reimbursable at cost. PAE's property and equipment consists principally of computer systems equipment, machinery and transportation equipment, leasehold improvements, and furniture and fixtures. PAE does not expect the overall impact of inflation on replacement costs of its property and equipment to be material to its future results of operations or financial condition.

Primary Components of Operating Results

Revenues

The majority of PAE's revenues are generated from contracts with the U.S. Government and its agencies. PAE enters into a variety of contract types, including fixed price, cost reimbursable, and time and materials contracts.

Cost of revenues

Cost of revenues includes costs related to labor, material, subcontract labor and other costs that are allowable and allocable to contracts under federal procurement standards.

Selling, general and administrative expenses

Selling, general and administrative expenses primarily consist of (i) fringe benefits related to the contract costs; (ii) salaries and wages plus associated fringe benefits and occupancy costs related to executive and senior management, business development, bid and proposal, contracts administration, finance and accounting, human resources, recruiting, information systems support, legal and corporate governance; and (iii) unallowable costs under applicable procurement standards that are not allocable to contracts for billing purposes. Unallowable costs do not generate revenue but are necessary for business operations.

Results of Operations

Comparison of Results for the Three Months Ended March 29, 2020 (unaudited) and March 31, 2019 (unaudited) (in thousands):

	Three Months Ended		Dollar Change	Percent Change %
	March 29, 2020	March 31, 2019		
Revenues	\$ 617,253	\$ 673,484	\$ (56,231)	(8.3)
Cost of revenues	465,208	517,159	(51,951)	(10.0)
Selling, general and administrative expenses	137,326	135,035	2,291	1.7
Amortization of intangible assets	8,047	8,657	(610)	(7.0)
Total operating expenses	610,581	660,851	(50,270)	(7.6)
Program (loss) profit	6,672	12,633	(5,961)	(47.2)
Other income, net	785	1,720	(935)	(54.4)
Operating income	7,457	14,353	(6,896)	(48.0)
Interest expense, net	(20,948)	(22,660)	1,712	(7.6)
Loss before income taxes	(13,491)	(8,307)	(5,184)	62.4
Benefit from income taxes	(8,714)	(3,147)	(5,567)	176.9
Net loss	(4,777)	(5,160)	383	(7.4)
Noncontrolling interest in earnings of ventures	166	559	(393)	(70.3)
Net loss attributed to PAE Incorporated	\$ (4,943)	\$ (5,719)	\$ 776	(13.6)

Revenues

Revenues for the three months ended March 29, 2020, decreased by approximately \$56.2 million, or 8.3%, from the comparable period in 2019. The decrease was attributable to timing related impacts on billable materials and task orders for incremental labor, the recomplete loss of certain contracts, and an approximate \$14.0 million impact from COVID-19. The decrease was partially offset by an increase in on-contract growth and new business programs. The GMS and NSS segment revenues decreased by approximately \$47.0 million and \$9.2 million, respectively.

Cost of revenues

Cost of revenues for the three months ended March 29, 2020, decreased by approximately \$52.0 million, or 10.0%, from the comparable period in 2019. The decrease in cost of revenues was primarily driven by lower non-labor volumes.

Selling, general and administrative expenses

Selling, general and administrative expense for the three months ended March 29, 2020, increased by approximately \$2.3 million, or 1.7%, from the comparable period in 2019. The increase in Selling, general and administrative expenses was primarily driven by transaction related expenses.

Amortization of intangible assets

Amortization of intangible assets for the three months ended March 29, 2020, decreased by approximately \$0.6 million, or 7.0%, from the comparable period in 2019. The reduction was associated with amortizing certain customer relationships, development technologies, and trade names.

Other income, net

Other income, net for the three months ended March 29, 2020, decreased by approximately \$(0.9) million, from the comparable period in 2019.

Operating Income

Operating income for the three months ended March 29, 2020, decreased by approximately \$6.7 million, from the comparable period in 2019. The decrease resulted from lower revenue volume partially offset by a corresponding reduction in cost of revenues, and increased transaction-related selling, general and administrative expenses.

Interest expense, net

Interest expense, net for the three months ended March 29, 2020, decreased by approximately \$1.7 million, or 7.6%, from the comparable period in 2019. This decrease was primarily driven by debt prepayments made in the first quarter of 2020.

Net loss

Net loss attributed to PAE Incorporated for the three months ended March 29, 2020 was \$4.9 million compared with a net loss attributed to PAE Incorporated of approximately \$5.8 million in the comparable period in 2019. The decrease in net loss for the three months ended March 29, 2020, was primarily driven by factors impacting operating income.

PAE's Segments

Comparison of Results by Segments for the Three Months Ended March 29, 2020 (Unaudited), and March 31, 2019 (Unaudited) (in thousands):

	March 29, 2020		March 31, 2019	
	Revenues	% of Total Revenues	Revenues	% of Total Revenues
GMS	\$ 457,444	74.1	\$ 504,480	74.9
NSS	159,809	25.9	169,004	25.1
Headquarters/Other	—	—	—	—
Consolidated revenues	<u>\$ 617,253</u>	<u>100.0</u>	<u>\$ 673,484</u>	<u>100.0</u>

	Operating	Profit Margin %	Operating	Profit Margin %
	Income (Loss)		Income (Loss)	
GMS	\$ 12,603	2.0	\$ 25,792	3.8
NSS	4,367	0.7	(786)	(0.1)
Headquarters/Other	(9,513)		(10,653)	
Consolidated operating income	<u>\$ 7,457</u>		<u>\$ 14,353</u>	

Global Mission Services Segment Results

Revenues

Revenues for the three months ended March 29, 2020, decreased by \$47.0 million, or 9.3%, from the comparable period in 2019. This decrease was partially attributable to timing-related impacts on billable materials and task orders for incremental labor and partially as a result of an approximate \$12 million impact from COVID-19. The decrease was partially offset by an increase in on-contract growth and new programs.

Operating Income

Operating income for the three months ended March 29, 2020 decreased by \$13.2 million from the comparable period in 2019. This decrease was primarily from lower revenue and increases in selling, general and administrative expenses.

National Security Solutions Segment Results

Revenues

Revenues for the three ended March 29, 2020 decreased by \$9.2 million, or 5.4%, from the comparable period in 2019. This decrease was partially driven by the loss of certain recompetes contracts and partially as a result of an approximate \$2.0 million impact from COVID-19. This decrease was partially offset by an increase in on-contract growth and new programs.

Operating Income

Operating income for the three months ended March 29, 2020 increased by \$5.2 million from the comparable period in 2019. The increase was primarily due to losses incurred by PAE ISR LLC in the first quarter of 2019. PAE sold substantially all the assets of PAE ISR LLC in the fourth quarter of 2019. This favorable impact of this action on the first quarter 2020's operating income was partially offset by increased cost of revenues.

Liquidity and Capital Resources

As of March 29, 2020, PAE had cash and cash equivalents totaling \$99.8 million and \$103.9 million of availability under its Revolving Credit Facility.

As of December 31, 2019, PAE had cash and cash equivalents totaling \$68.0 million and \$121.8 million of availability under its Revolving Credit Facility.

PAE's primary sources of liquidity are cash flow from operations and borrowings under its credit facilities to provide capital necessary for financing working capital requirements, capital expenditures and making selective strategic acquisitions.

PAE expects the combination of its current cash, cash flow from operations, and the available borrowing capacity under its Revolving Credit Facility to be sufficient to continue to meet its normal working capital requirements, capital expenditures and other cash requirements. However, significant increases or decreases in revenues, accounts receivable, accounts payable, and merger and acquisition activity can affect PAE's liquidity. PAE's accounts receivable and accounts payable levels can be affected by changes in the level of contract work it performs, by the timing of large materials purchases, and subcontractor efforts used in its contracts. Government funding delays can cause delays in PAE's ability to invoice for revenues earned, presenting a potential negative impact on liquidity.

In connection with the Business Combination, Shay was required to amend its existing credit facilities and reduce its outstanding indebtedness under its credit facilities such that the total indebtedness under the facilities, minus cash on hand at the consummation of the transaction would not be greater than \$572.1 million. Immediately after the closing of the transaction the outstanding balance on the Second Term Loan was reduced by approximately \$136.5 million to a principal balance of \$128.8 million.

See "Note 10 - Debt" of the notes to the condensed consolidated financial statements for further information on the terms and availability of PAE's credit facilities.

Cash Flows Analysis

Comparison of Results for the Fiscal Year Ended for the Three Months Ended March 29, 2020 (Unaudited), and March 31, 2019 (Unaudited) (in thousands):

	Three Months Ended		Dollar Change
	March 29, 2020	March 31, 2019	
Net cash provided by operating activities	\$ 10,913	\$ 39,363	\$ (28,450)
Net cash used in investing activities	(404)	(3,614)	3,210
Net cash provided by (used in) financing activities	21,534	(43,700)	65,234
Effect of exchange rate changes on cash and cash equivalents	(288)	(458)	170
Net increase in cash and cash equivalents	\$ 31,755	\$ (8,409)	\$ 40,164

Net cash provided by operating activities

Net cash provided by operating activities for the three months ended March 29, 2020 decreased by \$28.4 million primarily as a result of an increase in accounts payable and accrued salaries, offset by reduced accounts receivable.

Net cash used in investing activities

Cash used in investing activities for the three months ended March 29, 2020 improved by \$3.2 million from the comparable period in 2019, primarily driven by lower expenditures for property and equipment.

Net cash provided by (used in) financing activities

Cash provided by financing activities for the three months ended March 29, 2020 was \$21.3 million, an increase of \$65.2 million from the comparable period in 2019. The increase was primarily driven by the Recapitalization, partially offset by prepayment of the Second Lien Term Loan.

Financing

Long-term debt consisted of the following as of the dates presented (*in thousands*):

	March 29, 2020	December 31, 2019
First Term Loan	\$ 506,772	\$ 506,772
Second Term Loan	128,784	265,329
Revolving Credit Facility	—	—
Total debt	635,556	772,101
Unamortized discount and debt issuance costs	(17,064)	(22,164)
Total debt, net of discount and debt issuance costs	618,492	749,937
Less current maturities of long-term debt	(22,894)	(22,007)
Total long-term debt, net of current	\$ 595,598	\$ 727,930

The Company's borrowing arrangement provides for borrowings up to \$506.7 million under a first lien term loan credit agreement, dated October 26, 2016, as amended (the "First Term Loan"), \$265.3 million under a second lien term loan credit agreement, dated October 26, 2016, as amended (the "Second Term Loan"), and \$150 million under a revolving credit facility dated October 26, 2016, as amended (the "Revolving Credit Facility," and together with the First Term Loan and the Second Term Loan, the "Credit Agreements"). Principal and interest are due quarterly on the First Term Loan and interest is only due quarterly on the Second Term Loan. The maturity date of the First Term Loan is October 20, 2022. For the Second Term Loan the maturity date is October 20, 2023. For the Company's Revolving Credit Facility the maturity date is October 20, 2021.

In connection with the Business Combination, Shay was required to amend its existing credit facilities and reduce its outstanding indebtedness under its credit facilities such that the total indebtedness under the facilities, minus cash on hand at the consummation of the transaction would not be greater than \$572.1 million. Immediately after the closing of the transaction the outstanding balance on the Second Term Loan was reduced by approximately \$136.5 million to a principal balance of \$128.8 million.

The Credit Agreements require the Company to comply with specified financial covenants under certain circumstances, including the maintenance of certain leverage ratios.

The Credit Agreements also contain various non-financial covenants, including affirmative covenants with respect to reporting requirements and maintenance of business activities, and negative covenants that, among other things, may limit or impose restrictions on the Company's ability to alter the character of the business, consolidate, merge, or sell assets, incur liens or additional indebtedness, make investments, and undertake certain additional actions.

PAE was in compliance with the financial covenants under the Credit Agreements as of March 29, 2020, see "Note 10 - Debt" of the notes to the condensed consolidated financial statements.

Off-Balance Sheet Arrangements

PAE has outstanding performance guarantees and cross-indemnity agreements in connection with certain aspects of its business. PAE also has letters of credit outstanding principally related to performance guarantees on contracts and surety bonds outstanding principally related to performance and subcontractor payment bonds as described in "Note 10 - Debt" of the notes to the condensed consolidated financial statements.

PAE has entered into various arrangements to provide architectural, engineering, program management, construction management and operations and maintenance services. The ownership percentage of these ventures is typically representative of the work to be performed or the amount of risk assumed by each venture partner. Some of these ventures are considered variable interest entities. PAE has consolidated all ventures over which it has control. For all others, PAE's portion of the earnings are recorded in equity in earnings of ventures. See "Note 9 - Consolidated Variable Interest Entities" of the notes to the condensed consolidated financial statements.

PAE does not believe that it has any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to investors.

Recently Issued Accounting Pronouncements

For a description of recently announced accounting standards, including the expected dates of adoption and estimated effects, if any, on PAE's condensed consolidated financial statements, see "Note 3 - Recent Accounting Pronouncements" of the notes to the condensed consolidated financial statements.

Critical Accounting Policies

PAE's MD&A is based upon its consolidated financial statements, which are prepared in conformity with U.S. generally accepted accounting principles ("GAAP"). The preparation of these financial statements in accordance with GAAP requires the use of estimates and assumptions which affect the reported amounts in the consolidated financial statements. Due to the size and nature of many of PAE's programs, the estimation of total revenues and cost at completion is subject to a wide range of variables, including assumptions for schedule and technical issues. Actual results may differ from PAE's management's estimates.

PAE has identified the following accounting policies as critical because they require significant judgments and assumptions about highly complex and inherently uncertain matters and the use of reasonably different estimates and assumptions could have a material impact on its results of operations or financial condition.

- Revenue Recognition
- Goodwill and Indefinite-Lived Intangibles
- Income Taxes

Revenue Recognition

The majority of PAE's revenues are generated from contracts with the U.S. Government and its agencies. PAE enters into a variety of contract types, including fixed price, cost reimbursable, and time and materials contracts.

PAE accounts for a contract when it has been approved by all parties in the arrangement, the rights of the parties and payment terms are identified, and collectability of consideration is probable. At contract inception, PAE identifies distinct goods or services promised in the contract, referred to as performance obligations, and then determines the transaction price for the contract.

PAE's contracts contain promises to provide distinct goods or services to its customers. These represent separate performance obligations and units of account. PAE's management evaluates whether a single contract should be accounted for as more than one performance obligation or whether two or more contracts should be combined and accounted for as one single arrangement at the outset of the contract. Most of PAE's contracts consist of providing a complex set of interrelated goods and services that together provide a single deliverable or solution to the customer, and accordingly are accounted for as a single performance obligation. PAE also may engage with a customer on a contract where multiple distinct goods or services may be provided. In such circumstance, multiple performance obligations exist, and PAE would allocate the contract's transaction price to the individual performance obligations based on estimated relative standalone selling price. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which PAE forecasts expected costs of satisfying a performance obligation and then adds an appropriate margin for that distinct good or service promised.

Revenue is recognized when, or as, the performance obligation is satisfied. For substantially all of PAE's contracts, PAE satisfies its performance obligations over time as its customer simultaneously receives and consumes benefits. Revenue is recognized over time when there is a continuous transfer of control to the customer.

For U.S. Government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the U.S. Government to unilaterally terminate the contract for convenience, pay for costs incurred plus a reasonable profit and take control of any work in process. When control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. Based on the nature of the products and services provided in the contract, PAE uses judgment to determine if an input measure or output measure best depicts the transfer of control over time.

For services contracts, performance obligations are typically satisfied as services are rendered and PAE uses a contract cost-based input method to measure progress. Contract costs include labor, material and allocable indirect expenses. Revenue is recognized proportionally as contract costs are incurred plus estimated fees. If a contract does not meet the criteria for recognizing revenue over time, revenue is recognized at the point in time when control of the good or service is transferred to the customer. Control is considered to have transferred when PAE has a right to payment and the customer has legal title.

PAE reviews the progress and execution of performance obligations under the estimate at completion process. As part of this process, PAE reviews information including, but not limited

to, key contract terms and conditions, program schedule, progress towards completion, identified risks and opportunities and the related changes in estimates of revenues and costs. The risks and opportunities include judgments about the ability and cost to achieve the contract milestones and other technical contract requirements. PAE must make assumptions and estimates regarding labor productivity and availability, the complexity of the work to be performed, the availability of materials, the length of time to complete the performance obligation, execution by subcontractors, the availability and timing of funding from customers and overhead cost rates, among other variables. A significant change in one or more of these estimates could affect the profitability of PAE's contracts.

Goodwill and Indefinite-Lived Intangibles

PAE evaluates goodwill for potential impairment annually on the first day of the fourth quarter or if an event occurs or circumstances change that indicate that the fair value of a reportable segment may have fallen below its carrying value. The evaluation includes comparing the fair value of each of the reportable segments using a discounted cash flow methodology, or other fair value measures as considered appropriate in the circumstances, to its net book value, including goodwill. If the net book value exceeds the fair value, PAE will measure impairment by comparing the derived fair value of goodwill to its' carrying value, and any impairment is recorded in the current period.

During the fourth quarter of 2019, PAE performed the annual qualitative impairment test for both of its reportable segments and noted that no impairment existed. There were no events or circumstances during the three months ended March 29, 2020 indicating that the carrying value of goodwill was not recoverable. The Company has considered the implications of COVID-19 as they relate to the carrying value of goodwill and indefinite-lived assets. Although COVID-19 has had an adverse effect on our results of operations for the first quarter of 2020, we do not currently expect that such impact will be material to our full year results based on information known at this time. Since our primary customers are departments and agencies within the U.S. Government, we have not historically had significant issues collecting our receivables and do not foresee issues collecting our receivables in the foreseeable future. In addition, our contract awards typically extend to at least five years, including options, and we have a strong history of being awarded a majority of these contract options; we do not anticipate that the pandemic will have a materially adverse impact on such awards. Our liquidity position has not been materially impacted, and we continue to believe that we have adequate liquidity to fund our operations and meet our debt service obligations for the foreseeable future. However, we cannot predict the impact of the COVID-19 pandemic, and the longer the duration of the event and the more widespread in geographic locations where we and our suppliers operate, the more likely it is that it could have an adverse impact on our financial condition, results of operations, and/or cash flows in the future.

Income Taxes

Income taxes are accounted for using the asset and liability method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of assets and liabilities, and their respective tax bases, and operating loss and tax credit carry forwards. PAE accounts for tax contingencies in accordance with ASC 740-10- 25, *Income Taxes – Recognition (Topic 740)*. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is

recognized in income in the period that includes the enactment date. Estimates of the realizability of deferred tax assets are based on the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies. PAE's effective tax rate will be higher due to establishment of valuation allowance on the disallowed interest expense. Any interest or penalties incurred in connection with income taxes are recorded as part of income tax expense for financial reporting purposes.

Item 3. Quantitative and Qualitative Disclosures About Market Risks

There have not been any material changes to the Company's market risk since December 31, 2019. For additional information, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Exhibit 99.2 of the Company's Current Report on Form 8-K/A filed with the SEC on March 11, 2020.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 29, 2020. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective.

Internal Control over Financial Reporting

During the most recently completed fiscal quarter, the Company has made changes to certain internal controls to reflect the new operations of PAE as a result of the Business Combination.

Part II. Other Information

Item 1. Legal Proceedings

PAE is involved in various legal proceedings, government audits, investigations, claims and disputes that arise in the normal course of business, including those related to employment matters, contractual relationships and other business matters. These legal proceedings seek various remedies, including claims for monetary damages in varying or unspecified amounts. In addition, awards of government contracts may be protested at the U.S. Government Accountability Office or the U.S. Court of Federal Claims; and conversely, PAE may from time to time protest awards made to other companies.

Although the outcome of any such matter is inherently uncertain and may be materially adverse, based on current information, PAE does not expect any of the currently ongoing audits, reviews, investigations, or litigation to have a material adverse effect on its financial condition or operating results. Its view of the matters not specifically disclosed could change in future periods as events unfold.

Item 1A. Risk Factors

For a discussion of risk factors that could significantly and negatively affect our business, financial condition, results of operations, cash flows and prospects, see the disclosure under the heading "Risk Factors" in our prospectus on Form 424B3, filed with the SEC on April 23, 2020, File No. 333-236468 (the "Prospectus"). Except as modified below, there have been no other changes in the Company's risk factors from those disclosed in the Prospectus.

We face various risks related to public health crises, such as the coronavirus ("COVID-19"), that could disrupt PAE's business and result in loss of revenue or higher expenses.

Our operations face risks related to public health crises, such as the global outbreak of coronavirus disease 2019 ("COVID-19") and other pandemics and epidemics. The COVID-19 virus has spread to over 100 countries, including the United States, and the World Health Organization has classified the COVID-19 outbreak as a pandemic. The ability of our personnel to work effectively and travel and the continued adequacy of our supply chains have been adversely impacted by the pandemic and responses thereto, such as the travel restrictions resulting from the COVID-19 virus. Additionally, as a result of COVID-19, we have experienced, and expect that we will experience in the future, delays, or partial reductions or full suspensions of contract work, which could result in a decrease of revenue and have a material adverse impact on our business. We have experienced increased medical, housing, facility cleaning, and other costs due to quarantine requirements imposed by various jurisdictions and exposure of our personnel to pandemics such as the COVID-19 virus. In addition, the resulting volatility in the global capital markets could, among other things, restrict our access to capital and/or increase our cost of capital. At this time, we cannot predict the impact of the COVID-19 pandemic or the duration of time that the pandemic and its impacts will last, but it could have a material adverse effect on our business, financial position, results of operations and/or cash flows. See "Management's Discussion and Analysis of Financial Condition and Results of

Operations—Current Economic Conditions – Impact of COVID-19” for additional discussion of management’s assessment of the COVID-19 pandemic.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

On May 5, 2020, the Company entered into an employment agreement (the “Employment Agreement”) with each of John E. Heller, Charles D. Peiffer, Paul W. Cobb, Jr., Patricia M.C. Munchel, Rene Moline and Charles A. Anderson (the “Executives”). Each Employment Agreement was approved by the Compensation Committee of the Company’s Board of Directors (the “Committee”). A summary description of the Employment Agreements is set forth below. The terms of the Employment Agreements are identical, except to the extent indicated below.

Each Employment Agreement sets forth the applicable Executive’s current position and provides for an annual base salary, a target (and maximum) annual performance bonus as a percentage of annual base salary, eligibility to participate in the Company’s equity plan and any employee benefit plan maintained by the Company for the benefit of its employees generally and severance benefits upon certain qualifying terminations of employment, as described in more detail below.

Position; Base Salary; Annual Bonus

Each Employment Agreement includes the Executive’s position, annual base salary, and target (and maximum) annual bonus as a percentage of annual base salary as follows:

- Mr. Heller is employed as our President and Chief Executive Officer with an annual base salary equal to \$732,009.12, a target annual bonus equal to 100% of base salary, and a maximum annual bonus equal to 200% of base salary.
- Mr. Peiffer is employed as our Executive Vice President and Chief Financial Officer with an annual base salary equal to \$537,601.68, a target annual bonus equal to 75% of base salary, and a maximum annual bonus equal to 200% of base salary.

- Mr. Cobb is employed as our Executive Vice President, General Counsel and Secretary with an annual base salary equal to \$400,545.10, a target annual bonus equal to 75% of base salary and a maximum annual bonus equal to 200% of base salary.
- Ms. Munchel is employed as our Executive Vice President & Chief Human Resources Officer with an annual base salary equal to \$329,725.00, a target annual bonus equal to 60% of base salary, and a maximum annual bonus equal to 200% of base salary.
- Mr. Moline is employed as our President, National Security Solutions with an annual base salary equal to \$325,000.00, a target annual bonus equal to 75% of base salary and a maximum annual bonus equal to 200% of base salary.
- Mr. Anderson is employed as our President, Global Mission Services with an annual base salary equal to \$412,000.00, a target annual bonus equal to 75% of base salary and a maximum annual bonus equal to 200% of base salary.

Severance

Severance upon Termination without Cause or for Good Reason

Each Employment Agreement provides for the following payments in the event the Company terminates the Executive's employment without "Cause" or if the Executive resigns for "Good Reason," each as defined in each Employment Agreement, subject to the Executive's execution of an effective release of claims in favor of the Company: (a) severance equal to the sum of the Executive's then current annual base salary and the average bonus paid to the Executive for the three fiscal years prior to the year in which the Executive's termination occurs, payable in equal installments over the 12 month period following the Executive's termination of employment (the "Severance Period"); (b) a prorated annual bonus for the fiscal year in which the termination occurs, based on actual performance (the "Pro-Rated Bonus"); (c) reimbursement of the Executive's health insurance premiums during the Severance Period; (d) monthly cash payments (including reimbursement for taxes) to permit the Executive to purchase life insurance coverage at the same benefit level and cost as provided to active senior management employees of the Company during the Severance Period; and (e) reasonable outplacement services for 12 months.

Severance upon Death or Disability

In the event the Executive's employment terminates as a result of the Executive's death or disability, the Executive will be entitled to receive the Pro-Rated Bonus.

Other Terms and Provisions

The Employment Agreements include non-competition, non-solicitation of employees and customer restrictions, and other customary restrictive covenants.

The Employment Agreements provide that if any payments or benefits provided to the Executive would constitute excess parachute payments within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and would be subject to the excise tax imposed under Section 4999 of the Code, the payments or benefits will be reduced by the amount required to avoid the excise tax, if such reduction would give the Executive a better after-tax result than if he or she received the full payments and benefits and paid the excise tax.

Term of the Employment Agreements

The initial term of each Employment Agreement is two years, which term will automatically renew for subsequent one-year terms unless either party provides notice of non-renewal at least 60 days prior to the end of the then-current term. If the Company provides notice of non-renewal, the Executive will have the right to terminate his or her employment for Good Reason and receive the severance payments and benefits described above.

The foregoing description of each of the Employment Agreements is hereby qualified in its entirety by reference to the full text of each of the Employment Agreements, which are filed herewith as Exhibits 10.1, 10.2, 10.3, 10.4, 10.5, and 10.6 under Item 6 of Part II of this Form 10-Q and are incorporated by reference herein.

Item 6. Exhibits

See the Exhibit Index below, which is incorporated by reference herein.

Exhibit Index

Exhibit No.

3.2	<u>Amended and Restated Bylaws of PAE Incorporated (filed as Exhibit 3.2 to the Registration Statement on Form S-1/A of the Company on April 3, 2020 and incorporated herein by reference).</u>
10.1*	<u>Employment Agreement between PAE Incorporated and John E. Heller</u>
10.2*	<u>Employment Agreement between PAE Incorporated and Charles D. Peiffer</u>
10.3*	<u>Employment Agreement between PAE Incorporated and Paul W. Cobb, Jr.</u>
10.4*	<u>Employment Agreement between PAE Incorporated and Patricia M.C. Munchel</u>
10.5*	<u>Employment Agreement between PAE Incorporated and Rene Moline</u>
10.6*	<u>Employment Agreement between PAE Incorporated and Charles A. Anderson</u>
10.7*	<u>Form of Performance-Based Restricted Stock Unit Grant Notice and Performance-Based Restricted Stock Unit Agreement</u>
10.8*	<u>Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (Cliff Vested)</u>
10.9*	<u>Form of Restricted Stock Unit Grant Notice and Restricted Stock Unit Agreement (Ratably Vested)</u>
31.1	<u>Certification by the Chief Executive Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification by the Chief Financial Officer of the Company Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification by the Chief Executive Officer of the Company Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification by the Chief Financial Officer of the Company Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

*Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 7, 2020

PAE Incorporated

By:	<u>/s/ Charles D. Peiffer</u>
Name:	Charles D. Peiffer
Title:	Executive Vice President & Chief Financial Officer

Exhibit 10.1

EMPLOYMENT AGREEMENT (this "Agreement") dated as of May 5, 2020 (the "Effective Date"), by and between JOHN E. HELLER ("Executive") and PAE INCORPORATED, a Delaware corporation ("PAE").

WHEREAS, a subsidiary of PAE has employed Executive pursuant to two prior employment agreements, including most recently that certain Employment Agreement, dated as of March 16, 2016 (the "Prior Agreement");

WHEREAS, PAE desires to continue to employ Executive, and Executive desires to continue such employment and enter into this Agreement, which sets forth the terms and conditions under which Executive will continue to serve PAE, effective as of the Effective Date; and

WHEREAS, the parties acknowledge that the terms of this Agreement shall, upon the Effective Date, replace and supersede the Prior Agreement, which will thereupon become null and void.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE 1

Employment

SECTION 1.01. Term. The term of Executive's employment under this Agreement shall commence on the Effective Date and shall terminate on the second anniversary of the Effective Date (the "Initial Period"); provided that such term of employment shall automatically renew upon the expiration of the Initial Period and on each subsequent anniversary thereof for one year ("Renewal Period"), unless PAE delivers to Executive, or Executive delivers to PAE, written notice ("Notice of Non-Renewal") at least 60 days in advance of the expiration of the Initial Period or any Renewal Period that such term of employment shall not be extended, in which case such term of employment shall end at the end of the Initial Period or Renewal Period in which such notice was delivered and shall not be further extended. Notwithstanding the foregoing, Executive's employment with PAE shall be "at will" and, subject to the provisions of Article IV and the notice requirements set forth above, Executive's employment under this Agreement may be terminated by PAE or Executive at any time and for any reason, with or without prior notice.

SECTION 1.02. Position and Duties. During the term of this Agreement, Executive shall serve as the President and Chief Executive Officer of PAE, performing duties and having responsibilities customary for the chief executive officer of similar companies. Executive shall perform such services and duties in accordance with the policies, practices and bylaws of PAE.

SECTION 1.03. Time and Effort. Executive shall serve PAE faithfully, loyally, honestly and to the best of Executive's ability. Executive shall devote all of Executive's business time and best efforts to the performance of Executive's duties on behalf of PAE. During Executive's term of employment, Executive shall not at any time or place or to any extent whatsoever, either directly or indirectly, without the express written consent of the Compensation Committee of the Board of Directors of PAE (the "Committee"), engage in any outside employment or in any activity that, in the reasonable judgment of PAE, is competitive with or adverse to the business, practice or affairs of PAE or any of its affiliates, whether or not such activity is pursued for gain, profit or other pecuniary advantage. Notwithstanding the foregoing, it shall not be a violation of this Agreement for Executive to serve as a director of charitable organizations to the extent such service has been approved by the Committee (such approval not to be unreasonably withheld).

ARTICLE II

Compensation

SECTION 2.01. Base Salary. Each year of Executive's employment under this Agreement, commencing with 2020 and during the entire term of this Agreement, PAE shall, as compensation for the obligations set forth herein and for all services rendered by Executive in any capacity during Executive's employment under this Agreement, including services as an officer, employee, director or member of any governing body, or committee thereof, of PAE or any of its affiliates, pay Executive a base salary ("Base Salary") at the annual rate of \$732,009.12 per year, payable in substantially equal installments in accordance with PAE's standard payroll practices as in effect from time to time. During the first (1st) quarter of each year during the term of Executive's employment under this Agreement, commencing with 2021, the Committee shall review and may, in its discretion, increase Executive's Base Salary, retroactive to January 1 of that year. In the event that sickness or disability payments under any insurance programs of PAE or otherwise shall become payable to Executive in respect of any period of Executive's employment under this Agreement, the salary installment payable to Executive hereunder on the next succeeding salary installment payment date shall be an amount computed by subtracting (a) the amount of such sickness or disability payments that shall have become payable during the period between such date and the immediately preceding salary installment date from (b) the salary installment otherwise payable to Executive hereunder on such date.

SECTION 2.02 Annual Bonus. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the annual incentive compensation plans of PAE, as may be continued or established by the Committee, in its discretion, from time to time (the "Bonus Plan") and shall have the opportunity to earn a performance-based bonus ("Annual Bonus") targeted at 100% of Executive's Base Salary ("Target Bonus") and a maximum bonus opportunity for above-target performance of up to 200% of Executive's Base Salary for the fiscal year to which such Annual Bonus relates. The performance goals and Annual Bonus payable for a given fiscal year under the Bonus Plan shall be determined by the Committee. Except as provided in Article IV, payment of the Annual

Bonus will be conditioned upon Executive's continued employment through the payment date. Any Annual Bonus payable for a fiscal year shall be paid in the following fiscal year, no later than March 15.

SECTION 2.03 Equity Plan. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the PAE Incorporated 2020 Equity Incentive Plan, as it may be amended from time to time (the "Equity Plan"). Executive shall receive grants under the Equity Plan consistent with Executive's position and duties as determined by the Committee. Any equity awards granted to Executive shall be subject to the terms and conditions set forth in the Equity Plan and the applicable grant agreement.

ARTICLE III

Executive Benefits

SECTION 3.01 Benefit Plans During the term of Executive's employment under this Agreement, Executive shall be entitled to participate in any benefit plans (excluding severance, bonus, equity, incentive or profit-sharing plans) offered by PAE as in effect from time to time (collectively, "Benefit Plans") on the same basis as that generally made available to other employees of PAE to the extent Executive may be eligible to do so under the terms of any such Benefit Plan. Executive understands that any such Benefit Plans may be terminated or amended from time to time by PAE in its discretion. Notwithstanding the first sentence of this Section 3.01, nothing shall preclude Executive from participating during the term of Executive's employment under this Agreement in any present or future bonus, equity, incentive or profit-sharing plan or other plan of PAE for the benefit of its employees, in each case as and to the extent approved or determined by the Committee in its discretion and subject to the other terms of this Agreement.

SECTION 3.02 Business Expenses. PAE will reimburse Executive for all reasonably incurred business expenses, subject to the travel and expense policy established by PAE from time to time, incurred by Executive during the term of Executive's employment under this Agreement in the performance of Executive's duties hereunder; provided that Executive furnishes to PAE adequate records and other documentary evidence required to substantiate such expenditures.

SECTION 3.03 Vacation. During the term of Executive's employment under this Agreement, Executive shall receive paid vacation days in the amount accrued and taken in accordance with PAE's vacation policy based on Executive's tenure with the Company.

ARTICLE IV

Termination

SECTION 4.01 Exclusive Rights. The amounts payable under this Article IV are intended to be, and are, exclusive and in lieu of any other rights or remedies to which Executive

may otherwise be entitled, including under common, tort or contract law, under policies of PAE and its affiliates in effect from time to time, under this Agreement or otherwise, in the event of Executive's termination of employment with PAE and its affiliates.

SECTION 4.02 Termination by PAE for Cause; Termination by Executive without Good Reason. (a) If PAE terminates Executive for Cause or if Executive elects to terminate Executive's employment with PAE without Good Reason, Executive shall be entitled to receive (i) Base Salary earned through the date of termination that remains unpaid as of the date of Executive's termination, (ii) any Annual Bonus for any previously completed bonus period that has been earned and remains unpaid as of the date of Executive's termination, (iii) reimbursement for any unreimbursed business expenses properly incurred by Executive prior to the date of Executive's termination to the extent such expenses are reimbursable under Section 3.02 and (iv) such benefits (excluding benefits under any severance plan, program or policy then in effect), if any, to which Executive may be entitled under the Benefit Plans as of the date of Executive's termination, which benefits shall be payable in accordance with the terms of such Benefits Plans (the amounts described in clauses (i) through (iv) of this Section 4.02(a) being referred to herein as the "Accrued Rights").

(b) For purposes of this Agreement, the term "Cause" shall mean Executive's:

(i) intentional failure to perform reasonably assigned duties;

(ii) personal dishonesty or willful misconduct in the performance of duties, which causes or threatens to cause material injury to PAE or any of its affiliates;

(iii) breach of fiduciary duties owed by Executive to PAE or any of its affiliates resulting in personal profit to Executive;

(iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses);

(v) material failure to comply with PAE's code of conduct or employment policies; or

(vi) any act by Executive involving (a) fraud, (b) any breach by Executive of applicable regulations of competent authorities in relation to trading or dealing with stocks, securities, or investments or (c) any willful or grossly negligent act by the Executive resulting in an investigation by the Securities and Exchange Commission, which, in each of cases (a), (b) and (c) above, the Committee determines in its reasonable and good faith discretion materially adversely affects PAE or any of its affiliates or Executive's ability to perform his duties hereunder.

For purposes of this definition, an act, or failure to act, on Executive's part shall be deemed "willful" if done, or omitted to be done, by Executive intentionally, in bad faith and without reasonable belief that the action or omission was in the best interest of PAE. If PAE desires to terminate Executive's employment for Cause in the case of clauses (i), (ii), (iii), (v) or (vi) of Section 4.02(b) and the basis for

Cause, by its nature, is capable of being cured, PAE shall first provide Executive with written notice of the applicable event that constitutes the basis for Cause (a “Cause Notice”) within ten days of the Committee becoming aware of such event. Such notice shall specifically identify such claimed breach or other conduct. Executive shall have 15 days following receipt of such Cause Notice (the “Cause Cure Period”) to cure such basis for Cause, and PAE shall be entitled at the end of such Cause Cure Period to terminate Executive’s employment under this Agreement for Cause; provided, however, that, if such breach is cured within the Cause Cure Period or if PAE does not terminate Executive’s employment with PAE within ten days after the end of the Cause Cure Period, PAE shall not be entitled to terminate Executive’s employment for Cause based on the event described in the Cause Notice; and provided further that notwithstanding the foregoing, Executive will not be entitled to the opportunity to cure a particular basis for Cause more than once during any six-month period.

(c) For purposes of this Agreement, the term “Good Reason” shall mean any of the following actions, without Executive’s express prior written approval:

(i) with respect to any fiscal year, material reduction in the aggregate value of Executive’s Base Salary, Target Bonus opportunity and annual equity awards (assuming target performance) as compared to the aggregate value of such amounts for the 2020 fiscal year;

(ii) subject to the terms and conditions of the applicable plan(s), any failure by PAE to continue to provide retirement, fringe and welfare benefits to Executive that are substantially similar in the aggregate to those afforded to senior management employees of PAE;

(iii) any material adverse change in Executive’s duties or responsibilities;

(iv) any relocation of Executive’s principal place of business of 50 miles or more, provided that such relocation also increases Executive’s commute by at least 25 miles;

(v) any delivery to Executive by PAE of a Notice of Non-Renewal; or

(vi) any failure to pay Executive’s Base Salary and other amounts earned by Executive within ten days after the date such compensation is due.

(d) Executive must provide written notice to PAE pursuant to Section 6.05 of this Agreement of Executive’s intent to resign for Good Reason within 45 days of the occurrence of an event described in Section 4.02(c) above (each, a “Good Reason Event”) in order for Executive’s resignation for Good Reason to be effective hereunder. Upon receipt of such notice, PAE shall have 30 days (60 days in the case of the Good Reason Event described in Section 4.02(c)(v) above) (the applicable period, the “Good Reason Cure Period”) to rectify the Good Reason Event. If PAE fails to rectify the Good Reason Event prior to the expiration of the Good Reason Cure Period, then Executive may terminate employment within 10 days following the expiration of the Good Reason Cure Period and such termination will be considered for Good Reason and, in the event Executive’s termination is in respect of the Good Reason Event

described in Section 4.02(c)(v) above, such termination will be considered for Good Reason for all purposes of this Agreement notwithstanding the earlier expiration of the term of Executive's employment under this Agreement.

SECTION 4.03 Termination by PAE Other Than for Cause, Disability or Death; Termination by Executive for Good Reason. If PAE elects to terminate Executive's employment for any reason other than Cause, Disability (as defined below) or death or if Executive terminates Executive's employment with PAE for Good Reason, Executive shall be entitled to the Accrued Rights and, provided that Executive has provided a general release in favor of PAE and its subsidiaries and affiliates, and their respective directors, officers, employees, agents and representatives in form and substance reasonably acceptable to PAE (the "Release") and the Release has become effective and irrevocable prior to the 60th day after such termination of employment, Executive shall be entitled to the following:

Cash Payments. (a)(i) PAE shall pay to Executive an amount equal to one times the sum of Executive's then-current Base Salary and "Average Bonus" (as defined below), payable in equal installments through the date that is 12 months after the date of Executive's termination of employment (the "Severance Period") at the same times at which and in the same manner in which Executive's Base Salary would have been payable to Executive had a termination of employment not occurred (but no less frequently than monthly) and (ii) PAE shall provide to Executive, during the fiscal year following the fiscal year in which Executive's termination of employment occurs, no later than March 15, an Annual Bonus for the fiscal year in which the termination occurs equal to the Annual Bonus that Executive would have received if his employment had not terminated prior to the end of the fiscal year (e.g., after determining whether applicable performance goals have been achieved determined on a basis consistent with past practice), pro-rated based on a fraction, the numerator of which shall equal the number of days Executive was employed by PAE in the fiscal year in which Executive's termination occurs and the denominator of which shall equal 365 (the "Pro-Rata Bonus"); provided, however, that, in the case of clause (i), PAE shall (x) commence such payments on the 60th day after termination of Executive's employment, except that any payments that would have otherwise been paid to Executive following the date of the termination of employment and prior to such 60th day shall be accumulated and paid to Executive in a lump sum on such 60th day, and (y) not continue such payments at any time following either (A) breach of the provisions of Section 5.03 or 5.04 or (B) breach of the provisions of Article V (other than Section 5.03 or 5.04) that (X) is materially damaging to the business or reputation of PAE or any of its affiliates or (Y) occurs after PAE has notified Executive of a prior breach of such Article V (other than Section 5.03 or 5.04). For purposes of this Agreement, "Average Bonus" means the average of all Annual Bonuses paid or payable to Executive in respect of the three fiscal years ended prior to the fiscal year in which the employment of Executive is terminated (or, if Executive was not employed by PAE during each of such fiscal years, such lesser number of fiscal years during which Executive was so employed); provided that for purposes of calculating "Average Bonus", (i) any pro-rated Annual Bonus awarded to Executive for a fiscal year in which Executive was employed for less than the full fiscal year shall be annualized and (ii) the Annual Bonus for the last of the three fiscal years utilized in this calculation shall be disregarded (and Executive shall be treated as if he were not employed during such fiscal year) if the Annual Bonus for that year (A) has not been

paid because Executive was terminated prior to the scheduled date for payment of such Annual Bonus or (B) was paid based on an adverse change to Executive's Target Annual Bonus.

(b) **Medical, Dental and Life Insurance Benefit Continuation.** During the Severance Period, Executive and Executive's spouse and dependents (each as defined under the applicable program) shall receive the following benefits if the Executive timely and properly elects continued benefits coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"): (x) medical and dental insurance coverage at the same benefit levels as provided to active senior management employees of PAE, for which PAE will reimburse Executive during the Severance Period, for the total amount of the monthly medical and dental insurance premiums payable by Executive for continued benefits coverage pursuant to COBRA in excess of the cost Executive paid for such coverage (on a monthly premium basis) immediately prior to such termination of employment; provided, however, that if, during the Severance Period, Executive becomes employed by a new employer that provides medical and dental coverage, PAE's continuing medical and dental coverage (and any cash payments in lieu thereof) shall become secondary to such new employer's coverage with respect to claims covered by such new employer's medical and dental plans; and (y) a monthly cash payment grossed up for taxes to permit Executive to purchase life insurance coverage at the same benefit level as currently provided to active senior management employees of PAE and at the same cost to Executive as is generally provided to active senior management employees of PAE. Notwithstanding any provision of this Agreement to the contrary, to the extent necessary to satisfy Section 105(h) of the Internal Revenue Code of 1986, as amended (the "Code"), or if PAE determines it is necessary to avoid the imposition of an excise tax on PAE, PAE will be permitted to alter the manner in which medical and dental benefits are provided to Executive following termination of Executive's employment; provided that the after-tax cost to Executive of such benefits shall not be greater than the cost applicable to similarly situated executives of PAE who have not terminated employment.

(c) **Outplacement.** Executive shall receive reasonable outplacement services to be provided by a provider selected by Executive during the Severance Period, the cost of which shall be borne by PAE; provided, however, that, notwithstanding the foregoing, Executive shall commence using such services within 12 months of Executive's termination of employment, such outplacement services shall end not later than the last day of the second calendar year that begins after the date of termination of Executive's employment and PAE shall pay any amounts in respect of such outplacement services not later than the last day of the third calendar year that begins after such date of termination.

(d) **Release.** For the avoidance of doubt, (x) the Release shall not require Executive to release any rights to post-termination payments or benefits afforded to him by this Agreement, or any vested benefits or rights pursuant to the terms of PAE's or its affiliates' benefit plans or programs, and (y) if the Release does not become effective and irrevocable within 60 days following the date of Executive's termination of employment pursuant to this Section 4.03(d), PAE shall not be obligated to make any payments or provide any benefits under Section 4.03(a), (b) or (c) above and Executive shall only be entitled to the Accrued Rights.

SECTION 4.04 Termination for Disability or Death. Executive's employment shall terminate automatically upon Executive's death. PAE may terminate Executive's employment upon the occurrence of Executive's Disability. In the event of Executive's termination due to death or Disability, Executive, or Executive's estate, as the case may be, shall be entitled to receive the Accrued Rights, and the Pro-Rata Bonus during the calendar year following the calendar year in which Executive's termination of employment occurs. For purposes of this Agreement, the term "Disability" shall mean (a) the inability of Executive, due to illness, accident or any other physical or mental incapacity, to perform Executive's duties in a normal manner for a period of 180 days (whether or not consecutive) in any twelve-month period during the term of Executive's employment under this Agreement or (b) Executive being accepted for long-term disability benefits under any long-term disability plan in which he is then participating. The Committee shall determine, according to the facts then available, whether and when the Disability of Executive has occurred. Such determination shall not be arbitrary or unreasonable and the Committee will take into consideration the expert medical opinion of a physician chosen by PAE, after such physician has completed an examination of Executive. Executive agrees to make himself available for such examination upon the reasonable request of PAE.

ARTICLE V

Executive Covenants

SECTION 5.01. PAE Interests. Executive acknowledges that PAE has expended substantial amounts of time, money and effort to develop business strategies, customer relationships, employee relationships, trade secrets and goodwill and to build an effective organization, and that PAE has a legitimate business interest and right in protecting those assets as well as any similar assets that PAE may develop or obtain. Executive acknowledges that PAE is entitled to protect and preserve the going concern value of PAE and its business and trade secrets to the extent permitted by law. Executive acknowledges that PAE's business is worldwide in nature and international in scope. Executive acknowledges and agrees that the restrictions imposed upon Executive under this Agreement are reasonable and necessary for the protection of PAE's goodwill, confidential information, trade secrets and customer relationships, and that the restrictions set forth in this Agreement will not prevent Executive from earning a livelihood without violating any provision of this Agreement.

SECTION 5.02. Consideration to Executive. In consideration of PAE's entering into this Agreement and PAE's obligations hereunder and other good and valuable consideration, the receipt of which is hereby acknowledged, and acknowledging hereby that PAE would not have entered into this Agreement without the covenants contained in this Article V, Executive hereby agrees to be bound by the provisions and covenants contained in this Article V.

SECTION 5.03. Non-Solicitation. Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's termination of employment with PAE for any reason, Executive shall not, and shall cause each of Executive's affiliates (other than PAE) not to, directly or indirectly: (a) solicit any person or entity that is or was a customer (or prospective customer) of PAE to (i) purchase any goods or

services related to any Competitive Business (as defined below) that are of the type sold by PAE, from anyone other than PAE or (ii) reduce its volume of goods or services purchased from PAE, (b) interfere with, or attempt to interfere with, business relationships (whether formed before, on or after the Effective Date) between PAE and suppliers, partners, members or investors of PAE, (c) other than on behalf of PAE, solicit, recruit or hire any employee or consultant of PAE or any person who has, at any time within two years prior to such solicitation, recruitment or hiring, worked for or provided services to PAE, (d) solicit or encourage any employee or consultant of PAE to leave the employment of, or to cease providing services to, PAE or (e) assist any person or entity in any way to do, or attempt to do, anything prohibited by this Section 5.03.

SECTION 5.04 Non-Competition. (a) Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's termination of employment with PAE for any reason, Executive shall not (i) directly or indirectly, be employed by (as an employee or independent contractor) or serve on the board of or in an executive role for any Competitive Business or (ii) otherwise assist or engage in any Competitive Business where such assistance or engagement is substantially detrimental to the business reputation of PAE.

(b) The term "Competitive Business" shall mean (A) any business or entity that engages in business of the type conducted by PAE within PAE's industry sector during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE, except for any business or entity that, under the regulations of the Small Business Administration in Part 121 of Title 13 of the Code of Federal Regulations, is determined to be a small business concern; (B) any business that is a contractor or subcontractor under any government contract under which PAE is a contractor or subcontractor during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE; or (C) any entity that is, during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment with PAE, as of the date of Executive's termination of employment with PAE, competing for any government contract (including any re-compete or follow-on procurement) on which PAE has bid or plans to bid during Executive's employment, or with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment or within six months following the date of Executive's termination of employment.

SECTION 5.05. Confidential Information. Executive hereby acknowledges that (a) in the performance of Executive's duties and services pursuant to this Agreement, Executive has received, and may be given access to, Confidential Information and (b) all Confidential Information is or will be the property of PAE. For purposes of this Agreement, "Confidential Information" shall mean information, knowledge and data that is or will be used, developed, obtained or owned by PAE relating to the business, products and/or services of PAE or the business, products and/or services of any customer, sales officer, sales associate or independent contractor thereof, including products, services, fees, pricing, designs, marketing plans, strategies, analyses, forecasts, formulas, drawings, photographs, reports, records, computer

software (whether or not owned by, or designed for, PAE), other operating systems, applications, program listings, flow charts, manuals, documentation, data, databases, specifications, technology, inventions, new developments and methods, improvements, techniques, trade secrets, devices, products, methods, know-how, processes, financial data, customer lists, contact persons, cost information, executive information, regulatory matters, personnel matters, accounting and business methods, copyrightable works and information with respect to any vendor, customer, sales officer, sales associate or independent contractor of PAE, in each case whether patentable or unpatentable and whether or not reduced to practice, and all similar and related information in whatever form, and all such items of any vendor, customer, sales officer, sales associate or independent contractor of PAE; provided, however, that Confidential Information shall not include information that is generally known to the public other than as a result of disclosure by Executive in breach of this Agreement or in breach of any similar covenant made by Executive prior to entering into this Agreement.

SECTION 5.06. Non-Disclosure. (a) Except as otherwise specifically provided in Section 5.07, Executive will not, directly or indirectly, disclose or cause or permit to be disclosed, to any person or entity whatsoever, or utilize or cause or permit to be utilized, by any person or to any entity whatsoever, any Confidential Information acquired pursuant to Executive's employment with PAE (whether acquired prior to or subsequent to the execution of this Agreement) under this Agreement or otherwise.

(b) Executive will not disclose to anyone, other than Executive's immediate family and legal or financial advisors, the existence or contents of this Agreement, except to the extent permitted in Section 5.07 or to comply with Section 5.12, and, to the extent such information is disclosed to Executive's immediate family or legal or financial advisors, will instruct those parties to comply with the non-disclosure requirements of this Section 5.06.

SECTION 5.07. Permitted Disclosure. Nothing in this Agreement shall prohibit or restrict Executive from initiating communications directly with, responding to any inquiry from, providing testimony before, providing Confidential Information to, reporting possible violations of law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the Equal Employment Opportunity Commission ("EEOC"), the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General or any other federal, state or local regulatory authority (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation; provided, however, that Executive may not disclose information that is protected by the attorney-client privilege, except as expressly authorized by law. In addition, this Agreement does not prohibit Executive or PAE from disclosing Confidential Information or truthful testimony in any of the following circumstances: (a) where disclosure is required by a court order or subpoena; (b) where disclosure is necessary in the course of a lawsuit or legal proceeding regarding this Agreement (provided appropriate measures are taken to protect such Confidential Information in any public filing); (c) when necessary to file a charge or complaint with a governmental agency such as the EEOC; or (d) when necessary to participate, cooperate, or testify in any investigation or proceeding that is

conducted under the Sarbanes-Oxley Act or before a legislative body or other governmental agency. In the event Executive discloses or reasonably believes he may have to disclose Confidential Information under the circumstances of subsections (a) or (b) hereof, Executive agrees to promptly notify PAE of the substance and circumstances of the disclosure (unless prohibited by law) so that PAE can take timely action to protect its interests. Executive does not need the prior authorization of PAE to make any reports or disclosures under the circumstances of subsections (c) or (d) hereof, nor is he required to notify PAE that he has made such reports or disclosures. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose trade secrets to their attorneys, courts, or government officials in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

SECTION 5.08 Assignment of Inventions; Further Assurances. All rights to discoveries, inventions, improvements and innovations (including all data and records pertaining thereto) related to the business of PAE or its current or former affiliates, whether or not patentable, copyrightable, registrable as a trademark, or reduced to writing, that Executive may discover, invent or originate during the term of Executive's service to PAE or its affiliates (whether before, on or after the Effective Date), either alone or with others and whether or not during working hours or by the use of the facilities of PAE ("Inventions"), shall be the exclusive property of PAE or its designee. Executive shall promptly disclose all Inventions to PAE. Executive shall take all requested actions and execute all requested documents to assist PAE, or its designee, at PAE's expense, in every way to secure PAE's or its designee's above rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, and to pursue any patents or registrations with respect thereto. This covenant shall survive the termination of this Agreement. If PAE or its designee is unable for any other reason to secure Executive's signature on any document for this purpose, then Executive hereby irrevocably designates and appoints PAE or its designee and their duly authorized officers and agents, as the case may be, as Executive's agent and attorney-in-fact, to act for and in Executive's behalf and stead to execute any documents and to do all other lawfully permitted acts in connection with the foregoing.

SECTION 5.09 Records. All memoranda, books, records, documents, papers, plans, information, letters and other data relating to Confidential Information or the business and customer accounts of PAE, whether prepared by Executive or otherwise, coming into Executive's possession shall be and remain the exclusive property of PAE and Executive shall not, during the term of Executive's employment with PAE or thereafter, directly or indirectly assert any interest or property rights therein. Upon termination of employment with PAE for any reason, (a) Executive will immediately return to PAE all such memoranda, books, records, documents, papers, plans, information, letters and other data, and all copies thereof or therefrom, and Executive will not retain, or cause or permit to be retained, any copies or other embodiments of the materials so returned and (b) Executive will delete all documents, materials, and information (and copies thereof) of PAE from all of Executive's personal electronic devices (e.g., laptop, iPad, telephone, thumb drives, etc.). Executive further agrees that he will not retain

or use for Executive's account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of PAE.

SECTION 5.10 Non-Disparagement Executive has not prior to the Effective Date, whether in writing or orally, criticized or disparaged PAE, nor shall Executive during the period commencing on the Effective Date and terminating five years after the date of Executive's termination of employment with PAE for any reason (the "Non-Disparagement Period"), unless in the context of litigation between PAE and Executive or under penalty of perjury or otherwise permitted pursuant to Section 5.07, whether in writing or orally, criticize or disparage PAE or any of its respective current or former affiliates, directors, officers, employees, members, partners, agents or representatives. PAE shall instruct the PAE Parties (as defined below) not to, whether in writing or orally, criticize or disparage Executive during the Non-Disparagement Period, unless in the context of litigation between PAE and Executive or under penalty of perjury. For purposes of this Agreement, the term "PAE Parties" shall mean the executive officers and designated spokespersons of PAE Incorporated, acting in their capacity as representatives of PAE.

SECTION 5.11 Specific Performance. Executive agrees that any breach by Executive of any of the provisions of this Article V shall cause irreparable harm to PAE that could not be made whole by monetary damages and that, in the event of such a breach, Executive shall waive the defense in any action for specific performance that a remedy at law would be adequate, and PAE shall be entitled to specifically enforce the terms and provisions of this Article V without the necessity of proving actual damages or posting any bond or providing prior notice, in addition to any other remedy to which PAE may be entitled at law or in equity.

SECTION 5.12 Notification of Subsequent Employer. Prior to accepting employment with any other person or entity during any period during which Executive remains subject to any of the covenants set forth in Section 5.03 or Section 5.04, Executive shall provide such prospective employer with written notice of such provisions of this Agreement, with a copy of such notice delivered simultaneously to PAE in accordance with Section 6.05.

ARTICLE VI

Miscellaneous

SECTION 6.01 Assignment. This Agreement shall not be assignable by Executive. The parties agree that any attempt by Executive to delegate Executive's duties hereunder shall be null and void. This Agreement may be assigned by PAE to a person or entity that is an affiliate or a successor in interest to substantially all the business operations of PAE. Upon such assignment, the rights and obligations of PAE hereunder shall become the rights and obligations of such affiliate or successor person or entity. As used in this Agreement, the term "PAE" shall mean PAE as hereinbefore defined in the recital to this Agreement and any permitted assignee to which this Agreement is assigned.

SECTION 6.02 Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of PAE and the personal or legal

representatives, executors, administrators, successors, distributees, devisees and legatees of Executive. Executive acknowledges and agrees that all Executive's covenants and obligations to PAE, as well as the rights of PAE under this Agreement, shall run in favor of and will be enforceable by PAE, its subsidiaries and its successors and permitted assigns.

SECTION 6.03 Entire Agreement This Agreement constitutes the entire agreement and understanding of the parties and with respect to the transactions contemplated hereby and subject matter hereof and supersedes and replaces any and all prior agreements (including the Prior Agreement), understandings, statements, representations and warranties, written or oral, express or implied and/or whenever and howsoever made, directly or indirectly relating to the subject matter hereof. Notwithstanding the above, Executive's covenants set forth in Article V shall operate independently of, and shall be in addition to, any similar covenants to which Executive is subject pursuant to any other agreement with PAE or any of PAE's affiliates.

SECTION 6.04 Amendment: Except as provided in Section 6.14(d) hereof, this Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

SECTION 6.05 Notice All documents, notices, requests, demands and other communications that are required or permitted to be delivered or given under this Agreement shall be in writing and shall be deemed to have been duly delivered or given when received.

If to PAE: PAE Incorporated
7799 Leesburg Pike, Suite 300 North
Falls Church, VA 22043
Attention: Whit Cobb
E-mail: whit.cobb@pae.com

If to Executive: John Heller
8115 Spring Hill Farm Drive
McLean, VA 22102
Telephone: (917) 826-6432
E-mail: pens7166@live.com

Each of the parties may change the address to which notices under this Agreement shall be sent by providing written notice to the other in the manner specified above.

SECTION 6.06 Governing Law and Jurisdiction. (a) This Agreement and any disputes arising under or related hereto (whether for breach of contract, tortious conduct or otherwise) shall be governed and construed in accordance with the laws of the State of New York, without reference to its conflicts of law principles. Each party irrevocably agrees that any legal action, suit or proceeding against them arising out of or in connection with this Agreement or the transactions contemplated by this Agreement or disputes relating hereto (whether for breach of contract, tortious conduct or otherwise) shall be brought exclusively in the United States District Court for the Eastern District of Virginia, or, if such court does not have subject

matter jurisdiction, the state courts of Virginia located in Arlington County and hereby irrevocably accepts and submits to the exclusive jurisdiction and venue of the aforesaid courts in personam, with respect to any such action, suit or proceeding.

(b) Each party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 6.06(b).

(c) Each party in any dispute or legal action arising under this Agreement shall be responsible for bearing its own expenses, attorneys' fees and other costs in such dispute or legal action.

SECTION 6.07 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable in any jurisdiction, then such provision, covenant or condition, as to such jurisdiction, shall be modified or restricted to the extent necessary to make such provision valid, binding and enforceable, or, if such provision cannot be modified or restricted, then such provision shall, as to such jurisdiction, be deemed to be excised from this Agreement and any such invalidity, illegality or unenforceability with respect to such provision shall not invalidate or render unenforceable such provision in any other jurisdiction, and the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SECTION 6.08 Survival. The rights and obligations of PAE and Executive under the provisions of this Agreement, including Articles V and VI, shall survive and remain binding and enforceable, notwithstanding any termination of Executive's employment with PAE, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 6.09 Cooperation. Executive shall provide Executive's reasonable cooperation to PAE in connection with any suit, action or proceeding (or any appeal therefrom) that relates to events occurring during Executive's employment with PAE or any of its affiliates other than a suit between Executive, on the one hand, and PAE, on the other hand, provided that PAE shall reimburse Executive for expenses reasonably incurred in connection with such cooperation.

SECTION 6.10 Executive Representation. Executive hereby represents to PAE that the execution and delivery of this Agreement by Executive and PAE and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, or be prevented, interfered with or hindered by, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

SECTION 6.11. No Waiver. The provisions of this Agreement may be waived only in writing signed by the party or parties entitled to the benefit thereof. A waiver or any breach or failure to enforce any provision of this Agreement shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every provision of this Agreement.

SECTION 6.12. Set Off. PAE's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set off, counterclaim or recoupment of amounts owed by Executive to PAE or its affiliates, except as provided in Section 6.14.

SECTION 6.13. Withholding Taxes. PAE may withhold from any amounts payable under this Agreement such Federal, state, local and foreign taxes as may be required to be withheld pursuant to any applicable law or regulation.

SECTION 6.14. Section 409A. (a) It is intended that the provisions of this Agreement comply with Section 409A ("Section 409A") of the Code or an exemption thereunder, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A.

(b) Neither Executive nor any of his creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement or under any other plan, policy, arrangement or agreement of or with PAE or any of its affiliates (this Agreement and such other plans, policies, arrangements and agreements, the "Company Plans") to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Executive or for Executive's benefit under any Company Plan may not be reduced by, or offset against, any amount owing by Executive to PAE or any of its affiliates.

(c) Severance benefits under this Agreement are intended to be exempt from section 409A of the Code under the "short-term deferral" exception, to the maximum extent applicable, and then under the "separation pay" exception, to the maximum extent applicable. If, at the time of Executive's separation from service (within the meaning of Section 409A), (i) Executive shall be a specified employee (within the meaning of Section 409A and using the identification methodology selected by PAE from time to time) and (ii) PAE shall make a good faith determination that an amount payable under a Company Plan constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then PAE (or its affiliate, as applicable) shall not pay such amount on the otherwise scheduled payment date but shall instead accumulate such amount and pay it on the first business day after such six-month period.

(d) Notwithstanding any provision of this Agreement or any other Company Plan to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, PAE reserves the right to make amendments to any Company Plan as PAE deems necessary or

desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, Executive is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on Executive or for Executive's account in connection with any Company Plan (including any taxes and penalties under Section 409A), and neither PAE nor any affiliate shall have any obligation to indemnify or otherwise hold Executive harmless from any or all of such taxes or penalties.

(e) For purposes of Section 409A, each payment hereunder will be deemed to be a separate payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Notwithstanding anything herein to the contrary, to the extent required by Section 409A, Executive shall not be entitled to any payments or benefits payable hereunder as a result of Executive's termination of employment with PAE unless such termination of employment qualifies as a "separation from service" within the meaning of Section 409A (and any related regulations or other pronouncements thereunder),

(f) Except as specifically permitted by Section 409A, any benefits and reimbursements provided to Executive under this Agreement during any calendar year shall not affect any benefits and reimbursements to be provided to Executive under this Agreement in any other calendar year, and the right to such benefits and reimbursements cannot be liquidated or exchanged for any other benefit. Furthermore, reimbursement payments shall be made to Executive as soon as practicable following the date that the applicable expense is incurred, but in no event later than the last day of the calendar year following the calendar year in which the underlying expense is incurred.

SECTION 6.15. Section 280G. (a) In the event of a change in ownership or control under Section 280G of the Code, if it shall be determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the aggregate present value of the Payments under the Agreement shall be reduced (but not below zero) to the Reduced Amount (defined below) if and only if the Accounting Firm (described below) determines that the reduction will provide Executive with a greater net after-tax benefit than would no reduction. No reduction shall be made unless the reduction would provide Executive with a greater net after-tax benefit. The determinations under this Section shall be made as follows:

(b) The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Payments under this Agreement without causing any Payment under this Agreement to be subject to the Excise Tax (defined below), determined in accordance with Section 280G(d)(4) of the Code. The term "Excise Tax" means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(c) Payments under this Agreement shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to Executive. Where more than one payment has the same value for this purpose and

they are payable at different times, they will be reduced on a pro rata basis. Only amounts payable under this Agreement shall be reduced pursuant to this Section.

(d) All determinations to be made under this Section shall be made by an independent certified public accounting firm selected by the Company and agreed to by the Executive immediately prior to the change-in-ownership or -control transaction (the “Accounting Firm”). The Accounting Firm shall provide its determinations and any supporting calculations both to the Company and the Executive within ten days of the transaction. Any such determination by the Accounting Firm shall be binding upon the Company and Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section shall be borne solely by the Company.

SECTION 6.16. Company Policies. This Agreement and the compensation payable hereunder shall be subject to any applicable clawback or recoupment policies, share trading policies, and other policies that may be implemented by the Board of Directors of PAE from time to time with respect to officers of the Company.

SECTION 6.17. Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile of PDF), each of which shall be deemed to be an original instrument and all of which together shall constitute a single instrument. If any signature is delivered by facsimile transmission or by PDF, such signature shall create a valid and binding obligation of the party executing (or on whose behalf the signature is executed) with the same force and effect as if such facsimile or PDF signature were an original thereof.

SECTION 6.18. Construction. (a) The headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(b) As used in this Agreement, words such as “herein,” “hereinafter,” “hereby” and “hereunder,” and the words of like import refer to this Agreement, unless the context requires otherwise. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

(c) As used in Articles V and VI, the term “PAE” includes PAE and its subsidiaries and affiliates and their predecessors, successors and assigns.

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

PAE INCORPORATED,

by /s/ Paul W. Cobb, Jr.

Name: Paul W. Cobb, Jr.

Title: Executive Vice President, General Counsel and Secretary

JOHN E. HELLER,

/s/ John E. Heller

Exhibit 10.2

EMPLOYMENT AGREEMENT (this "Agreement") dated as of May 5, 2020 (the "Effective Date"), by and between CHARLES D. PEIFFER ("Executive") and PAE INCORPORATED, a Delaware corporation ("PAE").

WHEREAS, a subsidiary of PAE has employed Executive pursuant to two prior employment agreements, including most recently that certain Employment Agreement, dated as of March 14, 2016 (the "Prior Agreement");

WHEREAS, PAE desires to continue to employ Executive, and Executive desires to continue such employment and enter into this Agreement, which sets forth the terms and conditions under which Executive will continue to serve PAE, effective as of the Effective Date; and

WHEREAS, the parties acknowledge that the terms of this Agreement shall, upon the Effective Date, replace and supersede the Prior Agreement, which will thereupon become null and void.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE 1

Employment

SECTION 1.01. Term. The term of Executive's employment under this Agreement shall commence on the Effective Date and shall terminate on the second anniversary of the Effective Date (the "Initial Period"); provided that such term of employment shall automatically renew upon the expiration of the Initial Period and on each subsequent anniversary thereof for one year ("Renewal Period"), unless PAE delivers to Executive, or Executive delivers to PAE, written notice ("Notice of Non-Renewal") at least 60 days in advance of the expiration of the Initial Period or any Renewal Period that such term of employment shall not be extended, in which case such term of employment shall end at the end of the Initial Period or Renewal Period in which such notice was delivered and shall not be further extended. Notwithstanding the foregoing, Executive's employment with PAE shall be "at will" and, subject to the provisions of Article IV and the notice requirements set forth above, Executive's employment under this Agreement may be terminated by PAE or Executive at any time and for any reason, with or without prior notice.

SECTION 1.02. Position and Duties. During the term of this Agreement, Executive shall serve as the Executive Vice President and Chief Financial Officer of PAE, performing duties and having responsibilities customary for the chief financial officer of similar companies. Executive shall perform such services and duties in accordance with the policies, practices and bylaws of PAE.

SECTION 1.03. Time and Effort. Executive shall serve PAE faithfully, loyally, honestly and to the best of Executive's ability. Executive shall devote all of Executive's business time and best efforts to the performance of Executive's duties on behalf of PAE. During Executive's term of employment, Executive shall not at any time or place or to any extent whatsoever, either directly or indirectly, without the express written consent of the Compensation Committee of the Board of Directors of PAE (the "Committee"), engage in any outside employment or in any activity that, in the reasonable judgment of PAE, is competitive with or adverse to the business, practice or affairs of PAE or any of its affiliates, whether or not such activity is pursued for gain, profit or other pecuniary advantage. Notwithstanding the foregoing, it shall not be a violation of this Agreement for Executive to serve as a director of charitable organizations to the extent such service has been approved by the Committee (such approval not to be unreasonably withheld).

ARTICLE II

Compensation

SECTION 2.01. Base Salary. Each year of Executive's employment under this Agreement, commencing with 2020 and during the entire term of this Agreement, PAE shall, as compensation for the obligations set forth herein and for all services rendered by Executive in any capacity during Executive's employment under this Agreement, including services as an officer, employee, director or member of any governing body, or committee thereof, of PAE or any of its affiliates, pay Executive a base salary ("Base Salary") at the annual rate of \$537,601.68 per year, payable in substantially equal installments in accordance with PAE's standard payroll practices as in effect from time to time. During the first (1st) quarter of each year during the term of Executive's employment under this Agreement, commencing with 2021, the Committee shall review and may, in its discretion, increase Executive's Base Salary, retroactive to January 1 of that year. In the event that sickness or disability payments under any insurance programs of PAE or otherwise shall become payable to Executive in respect of any period of Executive's employment under this Agreement, the salary installment payable to Executive hereunder on the next succeeding salary installment payment date shall be an amount computed by subtracting (a) the amount of such sickness or disability payments that shall have become payable during the period between such date and the immediately preceding salary installment date from (b) the salary installment otherwise payable to Executive hereunder on such date.

SECTION 2.02 Annual Bonus. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the annual incentive compensation plans of PAE, as may be continued or established by the Committee, in its discretion, from time to time (the "Bonus Plan") and shall have the opportunity to earn a performance-based bonus ("Annual Bonus") targeted at 75% of Executive's Base Salary ("Target Bonus") and a maximum bonus opportunity for above-target performance of up to 200% of Executive's Base Salary for the fiscal year to which such Annual Bonus relates. The performance goals and Annual Bonus payable for a given fiscal year under the Bonus Plan shall be determined by the Committee. Except as provided in Article IV, payment of the Annual Bonus will be conditioned upon

Executive's continued employment through the payment date. Any Annual Bonus payable for a fiscal year shall be paid in the following fiscal year, no later than March 15.

SECTION 2.03 Equity Plan. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the PAE Incorporated 2020 Equity Incentive Plan, as it may be amended from time to time (the "Equity Plan"). Executive shall receive grants under the Equity Plan consistent with Executive's position and duties as determined by the Committee. Any equity awards granted to Executive shall be subject to the terms and conditions set forth in the Equity Plan and the applicable grant agreement.

ARTICLE III

Executive Benefits

SECTION 3.01 Benefit Plans During the term of Executive's employment under this Agreement, Executive shall be entitled to participate in any benefit plans (excluding severance, bonus, equity, incentive or profit-sharing plans) offered by PAE as in effect from time to time (collectively, "Benefit Plans") on the same basis as that generally made available to other employees of PAE to the extent Executive may be eligible to do so under the terms of any such Benefit Plan. Executive understands that any such Benefit Plans may be terminated or amended from time to time by PAE in its discretion. Notwithstanding the first sentence of this Section 3.01, nothing shall preclude Executive from participating during the term of Executive's employment under this Agreement in any present or future bonus, equity, incentive or profit-sharing plan or other plan of PAE for the benefit of its employees, in each case as and to the extent approved or determined by the Committee in its discretion and subject to the other terms of this Agreement.

SECTION 3.02 Business Expenses. PAE will reimburse Executive for all reasonably incurred business expenses, subject to the travel and expense policy established by PAE from time to time, incurred by Executive during the term of Executive's employment under this Agreement in the performance of Executive's duties hereunder; provided that Executive furnishes to PAE adequate records and other documentary evidence required to substantiate such expenditures.

SECTION 3.03 Vacation. During the term of Executive's employment under this Agreement, Executive shall receive paid vacation days in the amount accrued and taken in accordance with PAE's vacation policy based on Executive's tenure with the Company.

ARTICLE IV

Termination

SECTION 4.01 Exclusive Rights. The amounts payable under this Article IV are intended to be, and are, exclusive and in lieu of any other rights or remedies to which Executive may otherwise be entitled, including under common, tort or contract law, under policies of PAE

and its affiliates in effect from time to time, under this Agreement or otherwise, in the event of Executive's termination of employment with PAE and its affiliates.

SECTION 4.02 Termination by PAE for Cause; Termination by Executive without Good Reason. (a) If PAE terminates Executive for Cause or if Executive elects to terminate Executive's employment with PAE without Good Reason, Executive shall be entitled to receive (i) Base Salary earned through the date of termination that remains unpaid as of the date of Executive's termination, (ii) any Annual Bonus for any previously completed bonus period that has been earned and remains unpaid as of the date of Executive's termination, (iii) reimbursement for any unreimbursed business expenses properly incurred by Executive prior to the date of Executive's termination to the extent such expenses are reimbursable under Section 3.02 and (iv) such benefits (excluding benefits under any severance plan, program or policy then in effect), if any, to which Executive may be entitled under the Benefit Plans as of the date of Executive's termination, which benefits shall be payable in accordance with the terms of such Benefits Plans (the amounts described in clauses (i) through (iv) of this Section 4.02(a) being referred to herein as the "Accrued Rights").

(b) For purposes of this Agreement, the term "Cause" shall mean Executive's:

(i) intentional failure to perform reasonably assigned duties;

(ii) personal dishonesty or willful misconduct in the performance of duties, which causes or threatens to cause material injury to PAE or any of its affiliates;

(iii) breach of fiduciary duties owed by Executive to PAE or any of its affiliates resulting in personal profit to Executive;

(iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses);

(v) material failure to comply with PAE's code of conduct or employment policies; or

(vi) any act by Executive involving (a) fraud, (b) any breach by Executive of applicable regulations of competent authorities in relation to trading or dealing with stocks, securities, or investments or (c) any willful or grossly negligent act by the Executive resulting in an investigation by the Securities and Exchange Commission, which, in each of cases (a), (b) and (c) above, the Committee determines in its reasonable and good faith discretion materially adversely affects PAE or any of its affiliates or Executive's ability to perform his duties hereunder.

For purposes of this definition, an act, or failure to act, on Executive's part shall be deemed "willful" if done, or omitted to be done, by Executive intentionally, in bad faith and without reasonable belief that the action or omission was in the best interest of PAE. If PAE desires to terminate Executive's employment for Cause in the case of clauses (i), (ii), (iii), (v) or (vi) of Section 4.02(b) and the basis for

Cause, by its nature, is capable of being cured, PAE shall first provide Executive with written notice of the applicable event that constitutes the basis for Cause (a “Cause Notice”) within ten days of the Committee becoming aware of such event. Such notice shall specifically identify such claimed breach or other conduct. Executive shall have 15 days following receipt of such Cause Notice (the “Cause Cure Period”) to cure such basis for Cause, and PAE shall be entitled at the end of such Cause Cure Period to terminate Executive’s employment under this Agreement for Cause; provided, however, that, if such breach is cured within the Cause Cure Period or if PAE does not terminate Executive’s employment with PAE within ten days after the end of the Cause Cure Period, PAE shall not be entitled to terminate Executive’s employment for Cause based on the event described in the Cause Notice; and provided further that notwithstanding the foregoing, Executive will not be entitled to the opportunity to cure a particular basis for Cause more than once during any six-month period.

(c) For purposes of this Agreement, the term “Good Reason” shall mean any of the following actions, without Executive’s express prior written approval:

(i) with respect to any fiscal year, material reduction in the aggregate value of Executive’s Base Salary, Target Bonus opportunity and annual equity awards (assuming target performance) as compared to the aggregate value of such amounts for the 2020 fiscal year;

(ii) subject to the terms and conditions of the applicable plan(s), any failure by PAE to continue to provide retirement, fringe and welfare benefits to Executive that are substantially similar in the aggregate to those afforded to senior management employees of PAE;

(iii) any material adverse change in Executive’s duties or responsibilities;

(iv) any relocation of Executive’s principal place of business of 50 miles or more, provided that such relocation also increases Executive’s commute by at least 25 miles;

(v) any delivery to Executive by PAE of a Notice of Non-Renewal; or

(vi) any failure to pay Executive’s Base Salary and other amounts earned by Executive within ten days after the date such compensation is due.

(d) Executive must provide written notice to PAE pursuant to Section 6.05 of this Agreement of Executive’s intent to resign for Good Reason within 45 days of the occurrence of an event described in Section 4.02(c) above (each, a “Good Reason Event”) in order for Executive’s resignation for Good Reason to be effective hereunder. Upon receipt of such notice, PAE shall have 30 days (60 days in the case of the Good Reason Event described in Section 4.02(c)(v) above) (the applicable period, the “Good Reason Cure Period”) to rectify the Good Reason Event. If PAE fails to rectify the Good Reason Event prior to the expiration of the

Good Reason Cure Period, then Executive may terminate employment within 10 days following the expiration of the Good Reason Cure Period and such termination will be considered for Good Reason and, in the event Executive's termination is in respect of the Good Reason Event described in Section 4.02(c)(v) above, such termination will be considered for Good Reason for all purposes of this Agreement notwithstanding the earlier expiration of the term of Executive's employment under this Agreement.

SECTION 4.03 Termination by PAE Other Than for Cause, Disability or Death; Termination by Executive for Good Reason. If PAE elects to terminate Executive's employment for any reason other than Cause, Disability (as defined below) or death or if Executive terminates Executive's employment with PAE for Good Reason, Executive shall be entitled to the Accrued Rights and, provided that Executive has provided a general release in favor of PAE and its subsidiaries and affiliates, and their respective directors, officers, employees, agents and representatives in form and substance reasonably acceptable to PAE (the "Release") and the Release has become effective and irrevocable prior to the 60th day after such termination of employment, Executive shall be entitled to the following:

Cash Payments. (a)(i) PAE shall pay to Executive an amount equal to one times the sum of Executive's then-current Base Salary and "Average Bonus" (as defined below), payable in equal installments through the date that is 12 months after the date of Executive's termination of employment (the "Severance Period") at the same times at which and in the same manner in which Executive's Base Salary would have been payable to Executive had a termination of employment not occurred (but no less frequently than monthly) and (ii) PAE shall provide to Executive, during the fiscal year following the fiscal year in which Executive's termination of employment occurs, no later than March 15, an Annual Bonus for the fiscal year in which the termination occurs equal to the Annual Bonus that Executive would have received if his employment had not terminated prior to the end of the fiscal year (e.g., after determining whether applicable performance goals have been achieved determined on a basis consistent with past practice), pro-rated based on a fraction, the numerator of which shall equal the number of days Executive was employed by PAE in the fiscal year in which Executive's termination occurs and the denominator of which shall equal 365 (the "Pro-Rata Bonus"); provided, however, that, in the case of clause (i), PAE shall (x) commence such payments on the 60th day after termination of Executive's employment, except that any payments that would have otherwise been paid to Executive following the date of the termination of employment and prior to such 60th day shall be accumulated and paid to Executive in a lump sum on such 60th day, and (y) not continue such payments at any time following either (A) breach of the provisions of Section 5.03 or 5.04 or (B) breach of the provisions of Article V (other than Section 5.03 or 5.04) that (X) is materially damaging to the business or reputation of PAE or any of its affiliates or (Y) occurs after PAE has notified Executive of a prior breach of such Article V (other than Section 5.03 or 5.04). For purposes of this Agreement, "Average Bonus" means the average of all Annual Bonuses paid or payable to Executive in respect of the three fiscal years ended prior to the fiscal year in which the employment of Executive is terminated (or, if Executive was not employed by PAE during each of such fiscal years, such lesser number of fiscal years during which Executive was so employed); provided that for purposes of calculating "Average Bonus", (i) any pro-rated Annual Bonus awarded to Executive for a fiscal year in which Executive was employed for less

than the full fiscal year shall be annualized and (ii) the Annual Bonus for the last of the three fiscal years utilized in this calculation shall be disregarded (and Executive shall be treated as if he were not employed during such fiscal year) if the Annual Bonus for that year (A) has not been paid because Executive was terminated prior to the scheduled date for payment of such Annual Bonus or (B) was paid based on an adverse change to Executive's Target Annual Bonus.

(b) **Medical, Dental and Life Insurance Benefit Continuation.** During the Severance Period, Executive and Executive's spouse and dependents (each as defined under the applicable program) shall receive the following benefits if the Executive timely and properly elects continued benefits coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"): (x) medical and dental insurance coverage at the same benefit levels as provided to active senior management employees of PAE, for which PAE will reimburse Executive during the Severance Period, for the total amount of the monthly medical and dental insurance premiums payable by Executive for continued benefits coverage pursuant to COBRA in excess of the cost Executive paid for such coverage (on a monthly premium basis) immediately prior to such termination of employment; provided, however, that if, during the Severance Period, Executive becomes employed by a new employer that provides medical and dental coverage, PAE's continuing medical and dental coverage (and any cash payments in lieu thereof) shall become secondary to such new employer's coverage with respect to claims covered by such new employer's medical and dental plans; and (y) a monthly cash payment grossed up for taxes to permit Executive to purchase life insurance coverage at the same benefit level as currently provided to active senior management employees of PAE and at the same cost to Executive as is generally provided to active senior management employees of PAE. Notwithstanding any provision of this Agreement to the contrary, to the extent necessary to satisfy Section 105(h) of the Internal Revenue Code of 1986, as amended (the "Code"), or if PAE determines it is necessary to avoid the imposition of an excise tax on PAE, PAE will be permitted to alter the manner in which medical and dental benefits are provided to Executive following termination of Executive's employment; provided that the after-tax cost to Executive of such benefits shall not be greater than the cost applicable to similarly situated executives of PAE who have not terminated employment.

(c) **Outplacement.** Executive shall receive reasonable outplacement services to be provided by a provider selected by Executive during the Severance Period, the cost of which shall be borne by PAE; provided, however, that, notwithstanding the foregoing, Executive shall commence using such services within 12 months of Executive's termination of employment, such outplacement services shall end not later than the last day of the second calendar year that begins after the date of termination of Executive's employment and PAE shall pay any amounts in respect of such outplacement services not later than the last day of the third calendar year that begins after such date of termination.

(d) **Release.** For the avoidance of doubt, (x) the Release shall not require Executive to release any rights to post-termination payments or benefits afforded to him by this Agreement, or any vested benefits or rights pursuant to the terms of PAE's or its affiliates' benefit plans or programs, and (y) if the Release does not become effective and irrevocable within 60 days following the date of Executive's termination of employment pursuant to this

Section 4.03(d), PAE shall not be obligated to make any payments or provide any benefits under Section 4.03(a), (b) or (c) above and Executive shall only be entitled to the Accrued Rights.

SECTION 4.04 Termination for Disability or Death. Executive's employment shall terminate automatically upon Executive's death. PAE may terminate Executive's employment upon the occurrence of Executive's Disability. In the event of Executive's termination due to death or Disability, Executive, or Executive's estate, as the case may be, shall be entitled to receive the Accrued Rights, and the Pro-Rata Bonus during the calendar year following the calendar year in which Executive's termination of employment occurs. For purposes of this Agreement, the term "Disability" shall mean (a) the inability of Executive, due to illness, accident or any other physical or mental incapacity, to perform Executive's duties in a normal manner for a period of 180 days (whether or not consecutive) in any twelve-month period during the term of Executive's employment under this Agreement or (b) Executive being accepted for long-term disability benefits under any long-term disability plan in which he is then participating. The Committee shall determine, according to the facts then available, whether and when the Disability of Executive has occurred. Such determination shall not be arbitrary or unreasonable and the Committee will take into consideration the expert medical opinion of a physician chosen by PAE, after such physician has completed an examination of Executive. Executive agrees to make himself available for such examination upon the reasonable request of PAE.

ARTICLE V

Executive Covenants

SECTION 5.01. PAE Interests. Executive acknowledges that PAE has expended substantial amounts of time, money and effort to develop business strategies, customer relationships, employee relationships, trade secrets and goodwill and to build an effective organization, and that PAE has a legitimate business interest and right in protecting those assets as well as any similar assets that PAE may develop or obtain. Executive acknowledges that PAE is entitled to protect and preserve the going concern value of PAE and its business and trade secrets to the extent permitted by law. Executive acknowledges that PAE's business is worldwide in nature and international in scope. Executive acknowledges and agrees that the restrictions imposed upon Executive under this Agreement are reasonable and necessary for the protection of PAE's goodwill, confidential information, trade secrets and customer relationships, and that the restrictions set forth in this Agreement will not prevent Executive from earning a livelihood without violating any provision of this Agreement.

SECTION 5.02. Consideration to Executive. In consideration of PAE's entering into this Agreement and PAE's obligations hereunder and other good and valuable consideration, the receipt of which is hereby acknowledged, and acknowledging hereby that PAE would not have entered into this Agreement without the covenants contained in this Article V, Executive hereby agrees to be bound by the provisions and covenants contained in this Article V.

SECTION 5.03. Non-Solicitation. Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's

termination of employment with PAE for any reason, Executive shall not, and shall cause each of Executive's affiliates (other than PAE) not to, directly or indirectly: (a) solicit any person or entity that is or was a customer (or prospective customer) of PAE to (i) purchase any goods or services related to any Competitive Business (as defined below) that are of the type sold by PAE, from anyone other than PAE or (ii) reduce its volume of goods or services purchased from PAE, (b) interfere with, or attempt to interfere with, business relationships (whether formed before, on or after the Effective Date) between PAE and suppliers, partners, members or investors of PAE, (c) other than on behalf of PAE, solicit, recruit or hire any employee or consultant of PAE or any person who has, at any time within two years prior to such solicitation, recruitment or hiring, worked for or provided services to PAE, (d) solicit or encourage any employee or consultant of PAE to leave the employment of, or to cease providing services to, PAE or (e) assist any person or entity in any way to do, or attempt to do, anything prohibited by this Section 5.03.

SECTION 5.04 Non-Competition. (a) Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's termination of employment with PAE for any reason, Executive shall not (i) directly or indirectly, be employed by (as an employee or independent contractor) or serve on the board of or in an executive role for any Competitive Business or (ii) otherwise assist or engage in any Competitive Business where such assistance or engagement is substantially detrimental to the business reputation of PAE.

(b) The term "Competitive Business" shall mean (A) any business or entity that engages in business of the type conducted by PAE within PAE's industry sector during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE, except for any business or entity that, under the regulations of the Small Business Administration in Part 121 of Title 13 of the Code of Federal Regulations, is determined to be a small business concern; (B) any business that is a contractor or subcontractor under any government contract under which PAE is a contractor or subcontractor during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE; or (C) any entity that is, during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment with PAE, as of the date of Executive's termination of employment with PAE, competing for any government contract (including any re-compete or follow-on procurement) on which PAE has bid or plans to bid during Executive's employment, or with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment or within six months following the date of Executive's termination of employment.

SECTION 5.05. Confidential Information. Executive hereby acknowledges that (a) in the performance of Executive's duties and services pursuant to this Agreement, Executive has received, and may be given access to, Confidential Information and (b) all Confidential Information is or will be the property of PAE. For purposes of this Agreement, "Confidential Information" shall mean information, knowledge and data that is or will be used, developed, obtained or owned by PAE relating to the business, products and/or

services of PAE or the business, products and/or services of any customer, sales officer, sales associate or independent contractor thereof, including products, services, fees, pricing, designs, marketing plans, strategies, analyses, forecasts, formulas, drawings, photographs, reports, records, computer software (whether or not owned by, or designed for, PAE), other operating systems, applications, program listings, flow charts, manuals, documentation, data, databases, specifications, technology, inventions, new developments and methods, improvements, techniques, trade secrets, devices, products, methods, know-how, processes, financial data, customer lists, contact persons, cost information, executive information, regulatory matters, personnel matters, accounting and business methods, copyrightable works and information with respect to any vendor, customer, sales officer, sales associate or independent contractor of PAE, in each case whether patentable or unpatentable and whether or not reduced to practice, and all similar and related information in whatever form, and all such items of any vendor, customer, sales officer, sales associate or independent contractor of PAE; provided, however, that Confidential Information shall not include information that is generally known to the public other than as a result of disclosure by Executive in breach of this Agreement or in breach of any similar covenant made by Executive prior to entering into this Agreement.

SECTION 5.06. Non-Disclosure. (a) Except as otherwise specifically provided in Section 5.07, Executive will not, directly or indirectly, disclose or cause or permit to be disclosed, to any person or entity whatsoever, or utilize or cause or permit to be utilized, by any person or to any entity whatsoever, any Confidential Information acquired pursuant to Executive's employment with PAE (whether acquired prior to or subsequent to the execution of this Agreement) under this Agreement or otherwise.

(b) Executive will not disclose to anyone, other than Executive's immediate family and legal or financial advisors, the existence or contents of this Agreement, except to the extent permitted in Section 5.07 or to comply with Section 5.12, and, to the extent such information is disclosed to Executive's immediate family or legal or financial advisors, will instruct those parties to comply with the non-disclosure requirements of this Section 5.06.

SECTION 5.07. Permitted Disclosure. Nothing in this Agreement shall prohibit or restrict Executive from initiating communications directly with, responding to any inquiry from, providing testimony before, providing Confidential Information to, reporting possible violations of law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the Equal Employment Opportunity Commission ("EEOC"), the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General or any other federal, state or local regulatory authority (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation; provided, however, that Executive may not disclose information that is protected by the attorney-client privilege, except as expressly authorized by law. In addition, this Agreement does not prohibit Executive or PAE from disclosing Confidential Information or truthful testimony in any of the following circumstances: (a) where disclosure is required by a court order or subpoena; (b) where disclosure is necessary in the course of a lawsuit or legal proceeding regarding this Agreement

(provided appropriate measures are taken to protect such Confidential Information in any public filing); (c) when necessary to file a charge or complaint with a governmental agency such as the EEOC; or (d) when necessary to participate, cooperate, or testify in any investigation or proceeding that is conducted under the Sarbanes-Oxley Act or before a legislative body or other governmental agency. In the event Executive discloses or reasonably believes he may have to disclose Confidential Information under the circumstances of subsections (a) or (b) hereof, Executive agrees to promptly notify PAE of the substance and circumstances of the disclosure (unless prohibited by law) so that PAE can take timely action to protect its interests. Executive does not need the prior authorization of PAE to make any reports or disclosures under the circumstances of subsections (c) or (d) hereof, nor is he required to notify PAE that he has made such reports or disclosures. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose trade secrets to their attorneys, courts, or government officials in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

SECTION 5.08 Assignment of Inventions; Further Assurances. All rights to discoveries, inventions, improvements and innovations (including all data and records pertaining thereto) related to the business of PAE or its current or former affiliates, whether or not patentable, copyrightable, registrable as a trademark, or reduced to writing, that Executive may discover, invent or originate during the term of Executive's service to PAE or its affiliates (whether before, on or after the Effective Date), either alone or with others and whether or not during working hours or by the use of the facilities of PAE ("Inventions"), shall be the exclusive property of PAE or its designee. Executive shall promptly disclose all Inventions to PAE. Executive shall take all requested actions and execute all requested documents to assist PAE, or its designee, at PAE's expense, in every way to secure PAE's or its designee's above rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, and to pursue any patents or registrations with respect thereto. This covenant shall survive the termination of this Agreement. If PAE or its designee is unable for any other reason to secure Executive's signature on any document for this purpose, then Executive hereby irrevocably designates and appoints PAE or its designee and their duly authorized officers and agents, as the case may be, as Executive's agent and attorney-in-fact, to act for and in Executive's behalf and stead to execute any documents and to do all other lawfully permitted acts in connection with the foregoing.

SECTION 5.09 Records. All memoranda, books, records, documents, papers, plans, information, letters and other data relating to Confidential Information or the business and customer accounts of PAE, whether prepared by Executive or otherwise, coming into Executive's possession shall be and remain the exclusive property of PAE and Executive shall not, during the term of Executive's employment with PAE or thereafter, directly or indirectly assert any interest or property rights therein. Upon termination of employment with PAE for any reason, (a) Executive will immediately return to PAE all such memoranda, books, records, documents, papers, plans, information, letters and other data, and all copies thereof or therefrom, and Executive will not retain, or cause or permit to be retained, any copies or other

embodiments of the materials so returned and (b) Executive will delete all documents, materials, and information (and copies thereof) of PAE from all of Executive's personal electronic devices (e.g., laptop, iPad, telephone, thumb drives, etc.). Executive further agrees that he will not retain or use for Executive's account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of PAE.

SECTION 5.10 Non-Disparagement Executive has not prior to the Effective Date, whether in writing or orally, criticized or disparaged PAE, nor shall Executive during the period commencing on the Effective Date and terminating five years after the date of Executive's termination of employment with PAE for any reason (the "Non-Disparagement Period"), unless in the context of litigation between PAE and Executive or under penalty of perjury or otherwise permitted pursuant to Section 5.07, whether in writing or orally, criticize or disparage PAE or any of its respective current or former affiliates, directors, officers, employees, members, partners, agents or representatives. PAE shall instruct the PAE Parties (as defined below) not to, whether in writing or orally, criticize or disparage Executive during the Non-Disparagement Period, unless in the context of litigation between PAE and Executive or under penalty of perjury. For purposes of this Agreement, the term "PAE Parties" shall mean the executive officers and designated spokespersons of PAE Incorporated, acting in their capacity as representatives of PAE.

SECTION 5.11 Specific Performance. Executive agrees that any breach by Executive of any of the provisions of this Article V shall cause irreparable harm to PAE that could not be made whole by monetary damages and that, in the event of such a breach, Executive shall waive the defense in any action for specific performance that a remedy at law would be adequate, and PAE shall be entitled to specifically enforce the terms and provisions of this Article V without the necessity of proving actual damages or posting any bond or providing prior notice, in addition to any other remedy to which PAE may be entitled at law or in equity.

SECTION 5.12 Notification of Subsequent Employer. Prior to accepting employment with any other person or entity during any period during which Executive remains subject to any of the covenants set forth in Section 5.03 or Section 5.04, Executive shall provide such prospective employer with written notice of such provisions of this Agreement, with a copy of such notice delivered simultaneously to PAE in accordance with Section 6.05.

ARTICLE VI

Miscellaneous

SECTION 6.01 Assignment. This Agreement shall not be assignable by Executive. The parties agree that any attempt by Executive to delegate Executive's duties hereunder shall be null and void. This Agreement may be assigned by PAE to a person or entity that is an affiliate or a successor in interest to substantially all the business operations of PAE. Upon such assignment, the rights and obligations of PAE hereunder shall become the rights and obligations of such affiliate or successor person or entity. As used in this Agreement, the term "PAE" shall mean PAE as hereinbefore defined in the recital to this Agreement and any permitted assignee to which this Agreement is assigned.

SECTION 6.02 Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of PAE and the personal or legal representatives, executors, administrators, successors, distributees, devisees and legatees of Executive. Executive acknowledges and agrees that all Executive's covenants and obligations to PAE, as well as the rights of PAE under this Agreement, shall run in favor of and will be enforceable by PAE, its subsidiaries and its successors and permitted assigns.

SECTION 6.03 Entire Agreement This Agreement constitutes the entire agreement and understanding of the parties and with respect to the transactions contemplated hereby and subject matter hereof and supersedes and replaces any and all prior agreements (including the Prior Agreement), understandings, statements, representations and warranties, written or oral, express or implied and/or whenever and howsoever made, directly or indirectly relating to the subject matter hereof. Notwithstanding the above, Executive's covenants set forth in Article V shall operate independently of, and shall be in addition to, any similar covenants to which Executive is subject pursuant to any other agreement with PAE or any of PAE's affiliates.

SECTION 6.04 Amendment: Except as provided in Section 6.14(d) hereof, this Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

SECTION 6.05 Notice All documents, notices, requests, demands and other communications that are required or permitted to be delivered or given under this Agreement shall be in writing and shall be deemed to have been duly delivered or given when received.

If to PAE: PAE Incorporated
7799 Leesburg Pike, Suite 300 North
Falls Church, VA 22043
Attention: Whit Cobb
E-mail: whit.cobb@pae.com

If to Executive: Charles Peiffer
1295 Clearview Drive Yardley, PA 19067
Telephone: (321) 525-9685
E-mail: peiffer.charles@gmail.com

Each of the parties may change the address to which notices under this Agreement shall be sent by providing written notice to the other in the manner specified above.

SECTION 6.06 Governing Law and Jurisdiction. (a) This Agreement and any disputes arising under or related hereto (whether for breach of contract, tortious conduct or otherwise) shall be governed and construed in accordance with the laws of the State of New York, without reference to its conflicts of law principles. Each party irrevocably agrees that any

legal action, suit or proceeding against them arising out of or in connection with this Agreement or the transactions contemplated by this Agreement or disputes relating hereto (whether for breach of contract, tortious conduct or otherwise) shall be brought exclusively in the United States District Court for the Eastern District of Virginia, or, if such court does not have subject matter jurisdiction, the state courts of Virginia located in Arlington County and hereby irrevocably accepts and submits to the exclusive jurisdiction and venue of the aforesaid courts in personam, with respect to any such action, suit or proceeding.

(b) Each party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 6.06(b).

(c) Each party in any dispute or legal action arising under this Agreement shall be responsible for bearing its own expenses, attorneys' fees and other costs in such dispute or legal action.

SECTION 6.07 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable in any jurisdiction, then such provision, covenant or condition, as to such jurisdiction, shall be modified or restricted to the extent necessary to make such provision valid, binding and enforceable, or, if such provision cannot be modified or restricted, then such provision shall, as to such jurisdiction, be deemed to be excised from this Agreement and any such invalidity, illegality or unenforceability with respect to such provision shall not invalidate or render unenforceable such provision in any other jurisdiction, and the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SECTION 6.08 Survival. The rights and obligations of PAE and Executive under the provisions of this Agreement, including Articles V and VI, shall survive and remain binding and enforceable, notwithstanding any termination of Executive's employment with PAE, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 6.09 Cooperation. Executive shall provide Executive's reasonable cooperation to PAE in connection with any suit, action or proceeding (or any appeal therefrom) that relates to events occurring during Executive's employment with PAE or any of its affiliates other than a suit between Executive, on the one hand, and PAE, on the other hand, provided that PAE shall reimburse Executive for expenses reasonably incurred in connection with such cooperation.

SECTION 6.10 Executive Representation. Executive hereby represents to PAE that the execution and delivery of this Agreement by Executive and PAE and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or

otherwise contravene, or be prevented, interfered with or hindered by, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

SECTION 6.11. No Waiver. The provisions of this Agreement may be waived only in writing signed by the party or parties entitled to the benefit thereof. A waiver or any breach or failure to enforce any provision of this Agreement shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every provision of this Agreement.

SECTION 6.12. Set Off. PAE's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set off, counterclaim or recoupment of amounts owed by Executive to PAE or its affiliates, except as provided in Section 6.14.

SECTION 6.13. Withholding Taxes. PAE may withhold from any amounts payable under this Agreement such Federal, state, local and foreign taxes as may be required to be withheld pursuant to any applicable law or regulation.

SECTION 6.14. Section 409A. (a) It is intended that the provisions of this Agreement comply with Section 409A ("Section 409A") of the Code or an exemption thereunder, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A.

(b) Neither Executive nor any of his creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement or under any other plan, policy, arrangement or agreement of or with PAE or any of its affiliates (this Agreement and such other plans, policies, arrangements and agreements, the "Company Plans") to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Executive or for Executive's benefit under any Company Plan may not be reduced by, or offset against, any amount owing by Executive to PAE or any of its affiliates.

(c) Severance benefits under this Agreement are intended to be exempt from section 409A of the Code under the "short-term deferral" exception, to the maximum extent applicable, and then under the "separation pay" exception, to the maximum extent applicable. If, at the time of Executive's separation from service (within the meaning of Section 409A), (i) Executive shall be a specified employee (within the meaning of Section 409A and using the identification methodology selected by PAE from time to time) and (ii) PAE shall make a good faith determination that an amount payable under a Company Plan constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then PAE (or its affiliate, as applicable) shall not pay such amount on the otherwise scheduled payment date but shall instead accumulate such amount and pay it on the first business day after such six-month period.

(d) Notwithstanding any provision of this Agreement or any other Company Plan to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, PAE reserves the right to make amendments to any Company Plan as PAE deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, Executive is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on Executive or for Executive's account in connection with any Company Plan (including any taxes and penalties under Section 409A), and neither PAE nor any affiliate shall have any obligation to indemnify or otherwise hold Executive harmless from any or all of such taxes or penalties.

(e) For purposes of Section 409A, each payment hereunder will be deemed to be a separate payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Notwithstanding anything herein to the contrary, to the extent required by Section 409A, Executive shall not be entitled to any payments or benefits payable hereunder as a result of Executive's termination of employment with PAE unless such termination of employment qualifies as a "separation from service" within the meaning of Section 409A (and any related regulations or other pronouncements thereunder),

(f) Except as specifically permitted by Section 409A, any benefits and reimbursements provided to Executive under this Agreement during any calendar year shall not affect any benefits and reimbursements to be provided to Executive under this Agreement in any other calendar year, and the right to such benefits and reimbursements cannot be liquidated or exchanged for any other benefit. Furthermore, reimbursement payments shall be made to Executive as soon as practicable following the date that the applicable expense is incurred, but in no event later than the last day of the calendar year following the calendar year in which the underlying expense is incurred.

SECTION 6.15. Section 280G. (a) In the event of a change in ownership or control under Section 280G of the Code, if it shall be determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the aggregate present value of the Payments under the Agreement shall be reduced (but not below zero) to the Reduced Amount (defined below) if and only if the Accounting Firm (described below) determines that the reduction will provide Executive with a greater net after-tax benefit than would no reduction. No reduction shall be made unless the reduction would provide Executive with a greater net after-tax benefit. The determinations under this Section shall be made as follows:

(b) The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Payments under this Agreement without causing any Payment under this Agreement to be subject to the Excise Tax (defined below), determined in accordance with Section 280G(d)(4) of the Code. The term "Excise Tax" means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(c) Payments under this Agreement shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to Executive. Where more than one payment has the same value for this purpose and they are payable at different times, they will be reduced on a pro rata basis. Only amounts payable under this Agreement shall be reduced pursuant to this Section.

(d) All determinations to be made under this Section shall be made by an independent certified public accounting firm selected by the Company and agreed to by the Executive immediately prior to the change-in-ownership or -control transaction (the “Accounting Firm”). The Accounting Firm shall provide its determinations and any supporting calculations both to the Company and the Executive within ten days of the transaction. Any such determination by the Accounting Firm shall be binding upon the Company and Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section shall be borne solely by the Company.

SECTION 6.16. Company Policies. This Agreement and the compensation payable hereunder shall be subject to any applicable clawback or recoupment policies, share trading policies, and other policies that may be implemented by the Board of Directors of PAE from time to time with respect to officers of the Company.

SECTION 6.17. Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile or PDF), each of which shall be deemed to be an original instrument and all of which together shall constitute a single instrument. If any signature is delivered by facsimile transmission or by PDF, such signature shall create a valid and binding obligation of the party executing (or on whose behalf the signature is executed) with the same force and effect as if such facsimile or PDF signature were an original thereof.

SECTION 6.18. Construction. (a) The headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(b) As used in this Agreement, words such as “herein,” “hereinafter,” “hereby” and “hereunder,” and the words of like import refer to this Agreement, unless the context requires otherwise. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

(c) As used in Articles V and VI, the term “PAE” includes PAE and its subsidiaries and affiliates and their predecessors, successors and assigns.

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

PAE INCORPORATED,

by /s/ Paul W. Cobb, Jr.

Name: Paul W. Cobb, Jr.

Title: Executive Vice President, General Counsel and Secretary

CHARLES D. PEIFFER,

/s/ Charles D. Peiffer

Exhibit 10.3

EMPLOYMENT AGREEMENT (this "Agreement") dated as of May 5, 2020 (the "Effective Date"), by and between PAUL W. COBB, JR. ("Executive") and PAE INCORPORATED, a Delaware corporation ("PAE").

WHEREAS, a subsidiary of PAE has employed Executive pursuant to two prior employment agreements, including most recently that certain Employment Agreement, dated as of March 14, 2016 (the "Prior Agreement");

WHEREAS, PAE desires to continue to employ Executive, and Executive desires to continue such employment and enter into this Agreement, which sets forth the terms and conditions under which Executive will continue to serve PAE, effective as of the Effective Date; and

WHEREAS, the parties acknowledge that the terms of this Agreement shall, upon the Effective Date, replace and supersede the Prior Agreement, which will thereupon become null and void.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE 1

Employment

SECTION 1.01. Term. The term of Executive's employment under this Agreement shall commence on the Effective Date and shall terminate on the second anniversary of the Effective Date (the "Initial Period"); provided that such term of employment shall automatically renew upon the expiration of the Initial Period and on each subsequent anniversary thereof for one year ("Renewal Period"), unless PAE delivers to Executive, or Executive delivers to PAE, written notice ("Notice of Non-Renewal") at least 60 days in advance of the expiration of the Initial Period or any Renewal Period that such term of employment shall not be extended, in which case such term of employment shall end at the end of the Initial Period or Renewal Period in which such notice was delivered and shall not be further extended. Notwithstanding the foregoing, Executive's employment with PAE shall be "at will" and, subject to the provisions of Article IV and the notice requirements set forth above, Executive's employment under this Agreement may be terminated by PAE or Executive at any time and for any reason, with or without prior notice.

SECTION 1.02. Position and Duties. During the term of this Agreement, Executive shall serve as the Executive Vice President and General Counsel of PAE, performing duties and having responsibilities customary for the general counsel of similar companies.

Executive shall perform such services and duties in accordance with the policies, practices and bylaws of PAE.

SECTION 1.03. Time and Effort. Executive shall serve PAE faithfully, loyally, honestly and to the best of Executive's ability. Executive shall devote all of Executive's business time and best efforts to the performance of Executive's duties on behalf of PAE. During Executive's term of employment, Executive shall not at any time or place or to any extent whatsoever, either directly or indirectly, without the express written consent of the Compensation Committee of the Board of Directors of PAE (the "Committee"), engage in any outside employment or in any activity that, in the reasonable judgment of PAE, is competitive with or adverse to the business, practice or affairs of PAE or any of its affiliates, whether or not such activity is pursued for gain, profit or other pecuniary advantage. Notwithstanding the foregoing, it shall not be a violation of this Agreement for Executive to serve as a director of charitable organizations to the extent such service has been approved by the Committee (such approval not to be unreasonably withheld).

ARTICLE II

Compensation

SECTION 2.01. Base Salary. Each year of Executive's employment under this Agreement, commencing with 2020 and during the entire term of this Agreement, PAE shall, as compensation for the obligations set forth herein and for all services rendered by Executive in any capacity during Executive's employment under this Agreement, including services as an officer, employee, director or member of any governing body, or committee thereof, of PAE or any of its affiliates, pay Executive a base salary ("Base Salary") at the annual rate of \$400,545.10 per year, payable in substantially equal installments in accordance with PAE's standard payroll practices as in effect from time to time. During the first (1st) quarter of each year during the term of Executive's employment under this Agreement, commencing with 2021, the Committee shall review and may, in its discretion, increase Executive's Base Salary, retroactive to January 1 of that year. In the event that sickness or disability payments under any insurance programs of PAE or otherwise shall become payable to Executive in respect of any period of Executive's employment under this Agreement, the salary installment payable to Executive hereunder on the next succeeding salary installment payment date shall be an amount computed by subtracting (a) the amount of such sickness or disability payments that shall have become payable during the period between such date and the immediately preceding salary installment date from (b) the salary installment otherwise payable to Executive hereunder on such date.

SECTION 2.02 Annual Bonus. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the annual incentive compensation plans of PAE, as may be continued or established by the Committee, in its discretion, from time to time (the "Bonus Plan") and shall have the opportunity to earn a performance-based bonus ("Annual Bonus") targeted at 75% of Executive's Base Salary ("Target Bonus") and a maximum bonus opportunity for above-target performance of up to 200% of Executive's Base Salary for the fiscal year to which such Annual Bonus relates. The performance goals and Annual Bonus payable for a given fiscal year under the Bonus Plan shall

be determined by the Committee. Except as provided in Article IV, payment of the Annual Bonus will be conditioned upon Executive's continued employment through the payment date. Any Annual Bonus payable for a fiscal year shall be paid in the following fiscal year, no later than March 15.

SECTION 2.03 Equity Plan. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the PAE Incorporated 2020 Equity Incentive Plan, as it may be amended from time to time (the "Equity Plan"). Executive shall receive grants under the Equity Plan consistent with Executive's position and duties as determined by the Committee. Any equity awards granted to Executive shall be subject to the terms and conditions set forth in the Equity Plan and the applicable grant agreement.

ARTICLE III

Executive Benefits

SECTION 3.01 Benefit Plans During the term of Executive's employment under this Agreement, Executive shall be entitled to participate in any benefit plans (excluding severance, bonus, equity, incentive or profit-sharing plans) offered by PAE as in effect from time to time (collectively, "Benefit Plans") on the same basis as that generally made available to other employees of PAE to the extent Executive may be eligible to do so under the terms of any such Benefit Plan. Executive understands that any such Benefit Plans may be terminated or amended from time to time by PAE in its discretion. Notwithstanding the first sentence of this Section 3.01, nothing shall preclude Executive from participating during the term of Executive's employment under this Agreement in any present or future bonus, equity, incentive or profit-sharing plan or other plan of PAE for the benefit of its employees, in each case as and to the extent approved or determined by the Committee in its discretion and subject to the other terms of this Agreement.

SECTION 3.02 Business Expenses. PAE will reimburse Executive for all reasonably incurred business expenses, subject to the travel and expense policy established by PAE from time to time, incurred by Executive during the term of Executive's employment under this Agreement in the performance of Executive's duties hereunder; provided that Executive furnishes to PAE adequate records and other documentary evidence required to substantiate such expenditures.

SECTION 3.03 Vacation. During the term of Executive's employment under this Agreement, Executive shall receive paid vacation days in the amount accrued and taken in accordance with PAE's vacation policy based on Executive's tenure with the Company.

ARTICLE IV

Termination

SECTION 4.01 Exclusive Rights. The amounts payable under this Article IV are intended to be, and are, exclusive and in lieu of any other rights or remedies to

which Executive may otherwise be entitled, including under common, tort or contract law, under policies of PAE and its affiliates in effect from time to time, under this Agreement or otherwise, in the event of Executive's termination of employment with PAE and its affiliates.

SECTION 4.02 Termination by PAE for Cause; Termination by Executive without Good Reason. (a) If PAE terminates Executive for Cause or if Executive elects to terminate Executive's employment with PAE without Good Reason, Executive shall be entitled to receive (i) Base Salary earned through the date of termination that remains unpaid as of the date of Executive's termination, (ii) any Annual Bonus for any previously completed bonus period that has been earned and remains unpaid as of the date of Executive's termination, (iii) reimbursement for any unreimbursed business expenses properly incurred by Executive prior to the date of Executive's termination to the extent such expenses are reimbursable under Section 3.02 and (iv) such benefits (excluding benefits under any severance plan, program or policy then in effect), if any, to which Executive may be entitled under the Benefit Plans as of the date of Executive's termination, which benefits shall be payable in accordance with the terms of such Benefits Plans (the amounts described in clauses (i) through (iv) of this Section 4.02(a) being referred to herein as the "Accrued Rights").

(b) For purposes of this Agreement, the term "Cause" shall mean Executive's:

(i) intentional failure to perform reasonably assigned duties;

(ii) personal dishonesty or willful misconduct in the performance of duties, which causes or threatens to cause material injury to PAE or any of its affiliates;

(iii) breach of fiduciary duties owed by Executive to PAE or any of its affiliates resulting in personal profit to Executive;

(iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses);

(v) material failure to comply with PAE's code of conduct or employment policies; or

(vi) any act by Executive involving (a) fraud, (b) any breach by Executive of applicable regulations of competent authorities in relation to trading or dealing with stocks, securities, or investments or (c) any willful or grossly negligent act by the Executive resulting in an investigation by the Securities and Exchange Commission, which, in each of cases (a), (b) and (c) above, the Committee determines in its reasonable and good faith discretion materially adversely affects PAE or any of its affiliates or Executive's ability to perform his duties hereunder.

For purposes of this definition, an act, or failure to act, on Executive's part shall be deemed "willful" if done, or omitted to be done, by Executive intentionally, in bad faith and without reasonable belief that the action or omission was in the best interest of PAE. If PAE desires to terminate Executive's employment for Cause

in the case of clauses (i), (ii), (iii), (v) or (vi) of Section 4.02(b) and the basis for Cause, by its nature, is capable of being cured, PAE shall first provide Executive with written notice of the applicable event that constitutes the basis for Cause (a “Cause Notice”) within ten days of the Committee becoming aware of such event. Such notice shall specifically identify such claimed breach or other conduct. Executive shall have 15 days following receipt of such Cause Notice (the “Cause Cure Period”) to cure such basis for Cause, and PAE shall be entitled at the end of such Cause Cure Period to terminate Executive’s employment under this Agreement for Cause; provided, however, that, if such breach is cured within the Cause Cure Period or if PAE does not terminate Executive’s employment with PAE within ten days after the end of the Cause Cure Period, PAE shall not be entitled to terminate Executive’s employment for Cause based on the event described in the Cause Notice; and provided further that notwithstanding the foregoing, Executive will not be entitled to the opportunity to cure a particular basis for Cause more than once during any six-month period.

(c) For purposes of this Agreement, the term “Good Reason” shall mean any of the following actions, without Executive’s express prior written approval:

(i) with respect to any fiscal year, material reduction in the aggregate value of Executive’s Base Salary, Target Bonus opportunity and annual equity awards (assuming target performance) as compared to the aggregate value of such amounts for the 2020 fiscal year;

(ii) subject to the terms and conditions of the applicable plan(s), any failure by PAE to continue to provide retirement, fringe and welfare benefits to Executive that are substantially similar in the aggregate to those afforded to senior management employees of PAE;

(iii) any material adverse change in Executive’s duties or responsibilities;

(iv) any relocation of Executive’s principal place of business of 50 miles or more, provided that such relocation also increases Executive’s commute by at least 25 miles;

(v) any delivery to Executive by PAE of a Notice of Non-Renewal; or

(vi) any failure to pay Executive’s Base Salary and other amounts earned by Executive within ten days after the date such compensation is due.

(d) Executive must provide written notice to PAE pursuant to Section 6.05 of this Agreement of Executive’s intent to resign for Good Reason within 45 days of the occurrence of an event described in Section 4.02(c) above (each, a “Good Reason Event”) in order for Executive’s resignation for Good Reason to be effective hereunder. Upon receipt of

such notice, PAE shall have 30 days (60 days in the case of the Good Reason Event described in Section 4.02(c)(v) above) (the applicable period, the “Good Reason Cure Period”) to rectify the Good Reason Event. If PAE fails to rectify the Good Reason Event prior to the expiration of the Good Reason Cure Period, then Executive may terminate employment within 10 days following the expiration of the Good Reason Cure Period and such termination will be considered for Good Reason and, in the event Executive’s termination is in respect of the Good Reason Event described in Section 4.02(c)(v) above, such termination will be considered for Good Reason for all purposes of this Agreement notwithstanding the earlier expiration of the term of Executive’s employment under this Agreement.

SECTION 4.03 Termination by PAE Other Than for Cause, Disability or Death; Termination by Executive for Good Reason. If PAE elects to terminate Executive’s employment for any reason other than Cause, Disability (as defined below) or death or if Executive terminates Executive’s employment with PAE for Good Reason, Executive shall be entitled to the Accrued Rights and, provided that Executive has provided a general release in favor of PAE and its subsidiaries and affiliates, and their respective directors, officers, employees, agents and representatives in form and substance reasonably acceptable to PAE (the “Release”) and the Release has become effective and irrevocable prior to the 60th day after such termination of employment, Executive shall be entitled to the following:

Cash Payments. (a)(i) PAE shall pay to Executive an amount equal to one times the sum of Executive’s then-current Base Salary and “Average Bonus” (as defined below), payable in equal installments through the date that is 12 months after the date of Executive’s termination of employment (the “Severance Period”) at the same times at which and in the same manner in which Executive’s Base Salary would have been payable to Executive had a termination of employment not occurred (but no less frequently than monthly) and (ii) PAE shall provide to Executive, during the fiscal year following the fiscal year in which Executive’s termination of employment occurs, no later than March 15, an Annual Bonus for the fiscal year in which the termination occurs equal to the Annual Bonus that Executive would have received if his employment had not terminated prior to the end of the fiscal year (e.g., after determining whether applicable performance goals have been achieved determined on a basis consistent with past practice), pro-rated based on a fraction, the numerator of which shall equal the number of days Executive was employed by PAE in the fiscal year in which Executive’s termination occurs and the denominator of which shall equal 365 (the “Pro-Rata Bonus”); provided, however, that, in the case of clause (i), PAE shall (x) commence such payments on the 60th day after termination of Executive’s employment, except that any payments that would have otherwise been paid to Executive following the date of the termination of employment and prior to such 60th day shall be accumulated and paid to Executive in a lump sum on such 60th day, and (y) not continue such payments at any time following either (A) breach of the provisions of Section 5.03 or 5.04 or (B) breach of the provisions of Article V (other than Section 5.03 or 5.04) that (X) is materially damaging to the business or reputation of PAE or any of its affiliates or (Y) occurs after PAE has notified Executive of a prior breach of such Article V (other than Section 5.03 or 5.04). For purposes of this Agreement, “Average Bonus” means the average of all Annual Bonuses paid or payable to Executive in respect of the three fiscal years ended prior to the fiscal year in which the employment of Executive is terminated (or, if Executive was not employed by

PAE during each of such fiscal years, such lesser number of fiscal years during which Executive was so employed); provided that for purposes of calculating “Average Bonus”, (i) any pro-rated Annual Bonus awarded to Executive for a fiscal year in which Executive was employed for less than the full fiscal year shall be annualized and (ii) the Annual Bonus for the last of the three fiscal years utilized in this calculation shall be disregarded (and Executive shall be treated as if he were not employed during such fiscal year) if the Annual Bonus for that year (A) has not been paid because Executive was terminated prior to the scheduled date for payment of such Annual Bonus or (B) was paid based on an adverse change to Executive’s Target Annual Bonus.

(b) Medical, Dental and Life Insurance Benefit Continuation. During the Severance Period, Executive and Executive’s spouse and dependents (each as defined under the applicable program) shall receive the following benefits if the Executive timely and properly elects continued benefits coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”): (x) medical and dental insurance coverage at the same benefit levels as provided to active senior management employees of PAE, for which PAE will reimburse Executive during the Severance Period, for the total amount of the monthly medical and dental insurance premiums payable by Executive for continued benefits coverage pursuant to COBRA in excess of the cost Executive paid for such coverage (on a monthly premium basis) immediately prior to such termination of employment; provided, however, that if, during the Severance Period, Executive becomes employed by a new employer that provides medical and dental coverage, PAE’s continuing medical and dental coverage (and any cash payments in lieu thereof) shall become secondary to such new employer’s coverage with respect to claims covered by such new employer’s medical and dental plans; and (y) a monthly cash payment grossed up for taxes to permit Executive to purchase life insurance coverage at the same benefit level as currently provided to active senior management employees of PAE and at the same cost to Executive as is generally provided to active senior management employees of PAE. Notwithstanding any provision of this Agreement to the contrary, to the extent necessary to satisfy Section 105(h) of the Internal Revenue Code of 1986, as amended (the “Code”), or if PAE determines it is necessary to avoid the imposition of an excise tax on PAE, PAE will be permitted to alter the manner in which medical and dental benefits are provided to Executive following termination of Executive’s employment; provided that the after-tax cost to Executive of such benefits shall not be greater than the cost applicable to similarly situated executives of PAE who have not terminated employment.

(c) Outplacement. Executive shall receive reasonable outplacement services to be provided by a provider selected by Executive during the Severance Period, the cost of which shall be borne by PAE; provided, however, that, notwithstanding the foregoing, Executive shall commence using such services within 12 months of Executive’s termination of employment, such outplacement services shall end not later than the last day of the second calendar year that begins after the date of termination of Executive’s employment and PAE shall pay any amounts in respect of such outplacement services not later than the last day of the third calendar year that begins after such date of termination.

(d) Release. For the avoidance of doubt, (x) the Release shall not require Executive to release any rights to post-termination payments or benefits afforded to him by this

Agreement, or any vested benefits or rights pursuant to the terms of PAE's or its affiliates' benefit plans or programs, and (y) if the Release does not become effective and irrevocable within 60 days following the date of Executive's termination of employment pursuant to this Section 4.03(d), PAE shall not be obligated to make any payments or provide any benefits under Section 4.03(a), (b) or (c) above and Executive shall only be entitled to the Accrued Rights.

SECTION 4.04 Termination for Disability or Death. Executive's employment shall terminate automatically upon Executive's death. PAE may terminate Executive's employment upon the occurrence of Executive's Disability. In the event of Executive's termination due to death or Disability, Executive, or Executive's estate, as the case may be, shall be entitled to receive the Accrued Rights, and the Pro-Rata Bonus during the calendar year following the calendar year in which Executive's termination of employment occurs. For purposes of this Agreement, the term "Disability" shall mean (a) the inability of Executive, due to illness, accident or any other physical or mental incapacity, to perform Executive's duties in a normal manner for a period of 180 days (whether or not consecutive) in any twelve-month period during the term of Executive's employment under this Agreement or (b) Executive being accepted for long-term disability benefits under any long-term disability plan in which he is then participating. The Committee shall determine, according to the facts then available, whether and when the Disability of Executive has occurred. Such determination shall not be arbitrary or unreasonable and the Committee will take into consideration the expert medical opinion of a physician chosen by PAE, after such physician has completed an examination of Executive. Executive agrees to make himself available for such examination upon the reasonable request of PAE.

ARTICLE V

Executive Covenants

SECTION 5.01. PAE Interests. Executive acknowledges that PAE has expended substantial amounts of time, money and effort to develop business strategies, customer relationships, employee relationships, trade secrets and goodwill and to build an effective organization, and that PAE has a legitimate business interest and right in protecting those assets as well as any similar assets that PAE may develop or obtain. Executive acknowledges that PAE is entitled to protect and preserve the going concern value of PAE and its business and trade secrets to the extent permitted by law. Executive acknowledges that PAE's business is worldwide in nature and international in scope. Executive acknowledges and agrees that the restrictions imposed upon Executive under this Agreement are reasonable and necessary for the protection of PAE's goodwill, confidential information, trade secrets and customer relationships, and that the restrictions set forth in this Agreement will not prevent Executive from earning a livelihood without violating any provision of this Agreement.

SECTION 5.02. Consideration to Executive. In consideration of PAE's entering into this Agreement and PAE's obligations hereunder and other good and valuable consideration, the receipt of which is hereby acknowledged, and acknowledging hereby that PAE would not have entered into this Agreement without the covenants contained in this Article V, Executive hereby agrees to be bound by the provisions and covenants contained in this Article V.

SECTION 5.03. Non-Solicitation. Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's termination of employment with PAE for any reason, Executive shall not, and shall cause each of Executive's affiliates (other than PAE) not to, directly or indirectly: (a) solicit any person or entity that is or was a customer (or prospective customer) of PAE to (i) purchase any goods or services related to any Competitive Business (as defined below) that are of the type sold by PAE, from anyone other than PAE or (ii) reduce its volume of goods or services purchased from PAE, (b) interfere with, or attempt to interfere with, business relationships (whether formed before, on or after the Effective Date) between PAE and suppliers, partners, members or investors of PAE, (c) other than on behalf of PAE, solicit, recruit or hire any employee or consultant of PAE or any person who has, at any time within two years prior to such solicitation, recruitment or hiring, worked for or provided services to PAE, (d) solicit or encourage any employee or consultant of PAE to leave the employment of, or to cease providing services to, PAE or (e) assist any person or entity in any way to do, or attempt to do, anything prohibited by this Section 5.03.

SECTION 5.04 Non-Competition. (a) Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's termination of employment with PAE for any reason, Executive shall not (i) directly or indirectly, be employed by (as an employee or independent contractor) or serve on the board of or in an executive role for any Competitive Business or (ii) otherwise assist or engage in any Competitive Business where such assistance or engagement is substantially detrimental to the business reputation of PAE.

(b) The term "Competitive Business" shall mean (A) any business or entity that engages in business of the type conducted by PAE within PAE's industry sector during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE, except for any business or entity that, under the regulations of the Small Business Administration in Part 121 of Title 13 of the Code of Federal Regulations, is determined to be a small business concern; (B) any business that is a contractor or subcontractor under any government contract under which PAE is a contractor or subcontractor during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE; or (C) any entity that is, during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment with PAE, as of the date of Executive's termination of employment with PAE, competing for any government contract (including any re-compete or follow-on procurement) on which PAE has bid or plans to bid during Executive's employment, or with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment or within six months following the date of Executive's termination of employment.

(c) Notwithstanding the foregoing, none of the restrictions set forth in this Section 5.04 shall prohibit Executive from practicing law or be interpreted or applied in a manner to prevent or restrict Executive from practicing law.

SECTION 5.05. Confidential Information. Executive hereby acknowledges that (a) in the performance of Executive's duties and services pursuant to this Agreement, Executive has received, and may be given access to, Confidential Information and (b) all Confidential Information is or will be the property of PAE. For purposes of this Agreement, "Confidential Information" shall mean information, knowledge and data that is or will be used, developed, obtained or owned by PAE relating to the business, products and/or services of PAE or the business, products and/or services of any customer, sales officer, sales associate or independent contractor thereof, including products, services, fees, pricing, designs, marketing plans, strategies, analyses, forecasts, formulas, drawings, photographs, reports, records, computer software (whether or not owned by, or designed for, PAE), other operating systems, applications, program listings, flow charts, manuals, documentation, data, databases, specifications, technology, inventions, new developments and methods, improvements, techniques, trade secrets, devices, products, methods, know-how, processes, financial data, customer lists, contact persons, cost information, executive information, regulatory matters, personnel matters, accounting and business methods, copyrightable works and information with respect to any vendor, customer, sales officer, sales associate or independent contractor of PAE, in each case whether patentable or unpatentable and whether or not reduced to practice, and all similar and related information in whatever form, and all such items of any vendor, customer, sales officer, sales associate or independent contractor of PAE; provided, however, that Confidential Information shall not include information that is generally known to the public other than as a result of disclosure by Executive in breach of this Agreement or in breach of any similar covenant made by Executive prior to entering into this Agreement.

SECTION 5.06. Non-Disclosure. (a) Except as otherwise specifically provided in Section 5.07, Executive will not, directly or indirectly, disclose or cause or permit to be disclosed, to any person or entity whatsoever, or utilize or cause or permit to be utilized, by any person or to any entity whatsoever, any Confidential Information acquired pursuant to Executive's employment with PAE (whether acquired prior to or subsequent to the execution of this Agreement) under this Agreement or otherwise.

(b) Executive will not disclose to anyone, other than Executive's immediate family and legal or financial advisors, the existence or contents of this Agreement, except to the extent permitted in Section 5.07 or to comply with Section 5.12, and, to the extent such information is disclosed to Executive's immediate family or legal or financial advisors, will instruct those parties to comply with the non-disclosure requirements of this Section 5.06.

SECTION 5.07. Permitted Disclosure. Nothing in this Agreement shall prohibit or restrict Executive from initiating communications directly with, responding to any inquiry from, providing testimony before, providing Confidential Information to, reporting possible violations of law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the Equal Employment Opportunity Commission ("EEOC"), the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General or any other federal, state or local regulatory authority (collectively, the "Regulators"), or from making other disclosures that are protected under the

whistleblower provisions of state or federal law or regulation; provided, however, that Executive may not disclose information that is protected by the attorney-client privilege, except as expressly authorized by law. In addition, this Agreement does not prohibit Executive or PAE from disclosing Confidential Information or truthful testimony in any of the following circumstances: (a) where disclosure is required by a court order or subpoena; (b) where disclosure is necessary in the course of a lawsuit or legal proceeding regarding this Agreement (provided appropriate measures are taken to protect such Confidential Information in any public filing); (c) when necessary to file a charge or complaint with a governmental agency such as the EEOC; or (d) when necessary to participate, cooperate, or testify in any investigation or proceeding that is conducted under the Sarbanes-Oxley Act or before a legislative body or other governmental agency. In the event Executive discloses or reasonably believes he may have to disclose Confidential Information under the circumstances of subsections (a) or (b) hereof, Executive agrees to promptly notify PAE of the substance and circumstances of the disclosure (unless prohibited by law) so that PAE can take timely action to protect its interests. Executive does not need the prior authorization of PAE to make any reports or disclosures under the circumstances of subsections (c) or (d) hereof, nor is he required to notify PAE that he has made such reports or disclosures. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose trade secrets to their attorneys, courts, or government officials in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

SECTION 5.08 Assignment of Inventions; Further Assurances. All rights to discoveries, inventions, improvements and innovations (including all data and records pertaining thereto) related to the business of PAE or its current or former affiliates, whether or not patentable, copyrightable, registrable as a trademark, or reduced to writing, that Executive may discover, invent or originate during the term of Executive's service to PAE or its affiliates (whether before, on or after the Effective Date), either alone or with others and whether or not during working hours or by the use of the facilities of PAE ("Inventions"), shall be the exclusive property of PAE or its designee. Executive shall promptly disclose all Inventions to PAE. Executive shall take all requested actions and execute all requested documents to assist PAE, or its designee, at PAE's expense, in every way to secure PAE's or its designee's above rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, and to pursue any patents or registrations with respect thereto. This covenant shall survive the termination of this Agreement. If PAE or its designee is unable for any other reason to secure Executive's signature on any document for this purpose, then Executive hereby irrevocably designates and appoints PAE or its designee and their duly authorized officers and agents, as the case may be, as Executive's agent and attorney-in-fact, to act for and in Executive's behalf and stead to execute any documents and to do all other lawfully permitted acts in connection with the foregoing.

SECTION 5.09 Records. All memoranda, books, records, documents, papers, plans, information, letters and other data relating to Confidential Information or the business and customer accounts of PAE, whether prepared by Executive or otherwise, coming

into Executive's possession shall be and remain the exclusive property of PAE and Executive shall not, during the term of Executive's employment with PAE or thereafter, directly or indirectly assert any interest or property rights therein. Upon termination of employment with PAE for any reason, (a) Executive will immediately return to PAE all such memoranda, books, records, documents, papers, plans, information, letters and other data, and all copies thereof or therefrom, and Executive will not retain, or cause or permit to be retained, any copies or other embodiments of the materials so returned and (b) Executive will delete all documents, materials, and information (and copies thereof) of PAE from all of Executive's personal electronic devices (e.g., laptop, iPad, telephone, thumb drives, etc.). Executive further agrees that he will not retain or use for Executive's account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of PAE.

SECTION 5.10 Non-Disparagement Executive has not prior to the Effective Date, whether in writing or orally, criticized or disparaged PAE, nor shall Executive during the period commencing on the Effective Date and terminating five years after the date of Executive's termination of employment with PAE for any reason (the "Non-Disparagement Period"), unless in the context of litigation between PAE and Executive or under penalty of perjury or otherwise permitted pursuant to Section 5.07, whether in writing or orally, criticize or disparage PAE or any of its respective current or former affiliates, directors, officers, employees, members, partners, agents or representatives. PAE shall instruct the PAE Parties (as defined below) not to, whether in writing or orally, criticize or disparage Executive during the Non-Disparagement Period, unless in the context of litigation between PAE and Executive or under penalty of perjury. For purposes of this Agreement, the term "PAE Parties" shall mean the executive officers and designated spokespersons of PAE Incorporated, acting in their capacity as representatives of PAE.

SECTION 5.11 Specific Performance. Executive agrees that any breach by Executive of any of the provisions of this Article V shall cause irreparable harm to PAE that could not be made whole by monetary damages and that, in the event of such a breach, Executive shall waive the defense in any action for specific performance that a remedy at law would be adequate, and PAE shall be entitled to specifically enforce the terms and provisions of this Article V without the necessity of proving actual damages or posting any bond or providing prior notice, in addition to any other remedy to which PAE may be entitled at law or in equity.

SECTION 5.12 Notification of Subsequent Employer. Prior to accepting employment with any other person or entity during any period during which Executive remains subject to any of the covenants set forth in Section 5.03 or Section 5.04, Executive shall provide such prospective employer with written notice of such provisions of this Agreement, with a copy of such notice delivered simultaneously to PAE in accordance with Section 6.05.

ARTICLE VI

Miscellaneous

SECTION 6.01 Assignment. This Agreement shall not be assignable by Executive. The parties agree that any attempt by Executive to delegate Executive's duties

hereunder shall be null and void. This Agreement may be assigned by PAE to a person or entity that is an affiliate or a successor in interest to substantially all the business operations of PAE. Upon such assignment, the rights and obligations of PAE hereunder shall become the rights and obligations of such affiliate or successor person or entity. As used in this Agreement, the term "PAE" shall mean PAE as hereinbefore defined in the recital to this Agreement and any permitted assignee to which this Agreement is assigned.

SECTION 6.02 Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of PAE and the personal or legal representatives, executors, administrators, successors, distributees, devisees and legatees of Executive. Executive acknowledges and agrees that all Executive's covenants and obligations to PAE, as well as the rights of PAE under this Agreement, shall run in favor of and will be enforceable by PAE, its subsidiaries and its successors and permitted assigns.

SECTION 6.03 Entire Agreement This Agreement constitutes the entire agreement and understanding of the parties and with respect to the transactions contemplated hereby and subject matter hereof and supersedes and replaces any and all prior agreements (including the Prior Agreement), understandings, statements, representations and warranties, written or oral, express or implied and/or whenever and howsoever made, directly or indirectly relating to the subject matter hereof. Notwithstanding the above, Executive's covenants set forth in Article V shall operate independently of, and shall be in addition to, any similar covenants to which Executive is subject pursuant to any other agreement with PAE or any of PAE's affiliates.

SECTION 6.04 Amendment: Except as provided in Section 6.14(d) hereof, this Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

SECTION 6.05 Notice All documents, notices, requests, demands and other communications that are required or permitted to be delivered or given under this Agreement shall be in writing and shall be deemed to have been duly delivered or given when received.

If to PAE: PAE Incorporated
7799 Leesburg Pike, Suite 300 North
Falls Church, VA 22043
Attention: Patricia M.C. Munchel
E-mail: patricia.munchel@pae.com

If to Executive: Whit Cobb
1862 Brothers Road
Vienna, VA 22182
Telephone: (202) 805-5269
E-mail: whit.cobb@gmail.com

Each of the parties may change the address to which notices under this Agreement shall be sent by providing written notice to the other in the manner specified above.

SECTION 6.06 Governing Law and Jurisdiction. (a) This Agreement and any disputes arising under or related hereto (whether for breach of contract, tortious conduct or otherwise) shall be governed and construed in accordance with the laws of the State of New York, without reference to its conflicts of law principles. Each party irrevocably agrees that any legal action, suit or proceeding against them arising out of or in connection with this Agreement or the transactions contemplated by this Agreement or disputes relating hereto (whether for breach of contract, tortious conduct or otherwise) shall be brought exclusively in the United States District Court for the Eastern District of Virginia, or, if such court does not have subject matter jurisdiction, the state courts of Virginia located in Arlington County and hereby irrevocably accepts and submits to the exclusive jurisdiction and venue of the aforesaid courts in personam, with respect to any such action, suit or proceeding.

(b) Each party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 6.06(b).

(c) Each party in any dispute or legal action arising under this Agreement shall be responsible for bearing its own expenses, attorneys' fees and other costs in such dispute or legal action.

SECTION 6.07 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable in any jurisdiction, then such provision, covenant or condition, as to such jurisdiction, shall be modified or restricted to the extent necessary to make such provision valid, binding and enforceable, or, if such provision cannot be modified or restricted, then such provision shall, as to such jurisdiction, be deemed to be excised from this Agreement and any such invalidity, illegality or unenforceability with respect to such provision shall not invalidate or render unenforceable such provision in any other jurisdiction, and the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SECTION 6.08 Survival. The rights and obligations of PAE and Executive under the provisions of this Agreement, including Articles V and VI, shall survive and remain binding and enforceable, notwithstanding any termination of Executive's employment with PAE, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 6.09 Cooperation. Executive shall provide Executive's reasonable cooperation to PAE in connection with any suit, action or proceeding (or any appeal therefrom) that relates to events occurring during Executive's employment with PAE or any of

its affiliates other than a suit between Executive, on the one hand, and PAE, on the other hand, provided that PAE shall reimburse Executive for expenses reasonably incurred in connection with such cooperation.

SECTION 6.10 Executive Representation. Executive hereby represents to PAE that the execution and delivery of this Agreement by Executive and PAE and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, or be prevented, interfered with or hindered by, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

SECTION 6.11. No Waiver. The provisions of this Agreement may be waived only in writing signed by the party or parties entitled to the benefit thereof. A waiver or any breach or failure to enforce any provision of this Agreement shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every provision of this Agreement.

SECTION 6.12. Set Off. PAE's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set off, counterclaim or recoupment of amounts owed by Executive to PAE or its affiliates, except as provided in Section 6.14.

SECTION 6.13. Withholding Taxes. PAE may withhold from any amounts payable under this Agreement such Federal, state, local and foreign taxes as may be required to be withheld pursuant to any applicable law or regulation.

SECTION 6.14. Section 409A. (a) It is intended that the provisions of this Agreement comply with Section 409A ("Section 409A") of the Code or an exemption thereunder, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A.

(b) Neither Executive nor any of his creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement or under any other plan, policy, arrangement or agreement of or with PAE or any of its affiliates (this Agreement and such other plans, policies, arrangements and agreements, the "Company Plans") to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Executive or for Executive's benefit under any Company Plan may not be reduced by, or offset against, any amount owing by Executive to PAE or any of its affiliates.

(c) Severance benefits under this Agreement are intended to be exempt from section 409A of the Code under the "short-term deferral" exception, to the maximum extent applicable, and then under the "separation pay" exception, to the maximum extent applicable. If, at the time of Executive's separation from service (within the meaning of Section 409A), (i) Executive shall be a specified employee (within the meaning of Section 409A and using the

identification methodology selected by PAE from time to time) and (ii) PAE shall make a good faith determination that an amount payable under a Company Plan constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then PAE (or its affiliate, as applicable) shall not pay such amount on the otherwise scheduled payment date but shall instead accumulate such amount and pay it on the first business day after such six-month period.

(d) Notwithstanding any provision of this Agreement or any other Company Plan to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, PAE reserves the right to make amendments to any Company Plan as PAE deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, Executive is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on Executive or for Executive's account in connection with any Company Plan (including any taxes and penalties under Section 409A), and neither PAE nor any affiliate shall have any obligation to indemnify or otherwise hold Executive harmless from any or all of such taxes or penalties.

(e) For purposes of Section 409A, each payment hereunder will be deemed to be a separate payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Notwithstanding anything herein to the contrary, to the extent required by Section 409A, Executive shall not be entitled to any payments or benefits payable hereunder as a result of Executive's termination of employment with PAE unless such termination of employment qualifies as a "separation from service" within the meaning of Section 409A (and any related regulations or other pronouncements thereunder),

(f) Except as specifically permitted by Section 409A, any benefits and reimbursements provided to Executive under this Agreement during any calendar year shall not affect any benefits and reimbursements to be provided to Executive under this Agreement in any other calendar year, and the right to such benefits and reimbursements cannot be liquidated or exchanged for any other benefit. Furthermore, reimbursement payments shall be made to Executive as soon as practicable following the date that the applicable expense is incurred, but in no event later than the last day of the calendar year following the calendar year in which the underlying expense is incurred.

SECTION 6.15. Section 280G. (a) In the event of a change in ownership or control under Section 280G of the Code, if it shall be determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the aggregate present value of the Payments under the Agreement shall be reduced (but not below zero) to the Reduced Amount (defined below) if and only if the Accounting Firm (described below) determines that the reduction will provide Executive with a greater net after-tax benefit than would no reduction.

No reduction shall be made unless the reduction would provide Executive with a greater net after-tax benefit. The determinations under this Section shall be made as follows:

(b) The “Reduced Amount” shall be an amount expressed in present value which maximizes the aggregate present value of Payments under this Agreement without causing any Payment under this Agreement to be subject to the Excise Tax (defined below), determined in accordance with Section 280G(d)(4) of the Code. The term “Excise Tax” means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(c) Payments under this Agreement shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to Executive. Where more than one payment has the same value for this purpose and they are payable at different times, they will be reduced on a pro rata basis. Only amounts payable under this Agreement shall be reduced pursuant to this Section.

(d) All determinations to be made under this Section shall be made by an independent certified public accounting firm selected by the Company and agreed to by the Executive immediately prior to the change-in-ownership or -control transaction (the “Accounting Firm”). The Accounting Firm shall provide its determinations and any supporting calculations both to the Company and the Executive within ten days of the transaction. Any such determination by the Accounting Firm shall be binding upon the Company and Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section shall be borne solely by the Company.

SECTION 6.16. Company Policies. This Agreement and the compensation payable hereunder shall be subject to any applicable clawback or recoupment policies, share trading policies, and other policies that may be implemented by the Board of Directors of PAE from time to time with respect to officers of the Company.

SECTION 6.17. Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile or PDF), each of which shall be deemed to be an original instrument and all of which together shall constitute a single instrument. If any signature is delivered by facsimile transmission or by PDF, such signature shall create a valid and binding obligation of the party executing (or on whose behalf the signature is executed) with the same force and effect as if such facsimile or PDF signature were an original thereof.

SECTION 6.18. Construction. (a) The headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(b) As used in this Agreement, words such as “herein,” “hereinafter,” “hereby” and “hereunder,” and the words of like import refer to this Agreement, unless the context requires otherwise. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

(c) As used in Articles V and VI, the term “PAE” includes PAE and its subsidiaries and affiliates and their predecessors, successors and assigns.

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

PAE INCORPORATED,

by /s/ Charles D. Peiffer

Name: Charles D. Peiffer

Title: Executive Vice President and Chief Financial Officer

PAUL W. COBB, JR.

/s/ Paul W. Cobb, Jr.

EMPLOYMENT AGREEMENT (this "Agreement") dated as of May 5, 2020 (the "Effective Date"), by and between PATRICIA M.C. MUNCHEL ("Executive") and PAE INCORPORATED, a Delaware corporation ("PAE").

WHEREAS, PAE desires to continue to employ Executive, and Executive desires to continue such employment and enter into this Agreement, which sets forth the terms and conditions under which Executive will continue to serve PAE, effective as of the Effective Date.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE 1

Employment

SECTION 1.01. Term. The term of Executive's employment under this Agreement shall commence on the Effective Date and shall terminate on the second anniversary of the Effective Date (the "Initial Period"); provided that such term of employment shall automatically renew upon the expiration of the Initial Period and on each subsequent anniversary thereof for one year ("Renewal Period"), unless PAE delivers to Executive, or Executive delivers to PAE, written notice ("Notice of Non-Renewal") at least 60 days in advance of the expiration of the Initial Period or any Renewal Period that such term of employment shall not be extended, in which case such term of employment shall end at the end of the Initial Period or Renewal Period in which such notice was delivered and shall not be further extended. Notwithstanding the foregoing, Executive's employment with PAE shall be "at will" and, subject to the provisions of Article IV and the notice requirements set forth above, Executive's employment under this Agreement may be terminated by PAE or Executive at any time and for any reason, with or without prior notice.

SECTION 1.02. Position and Duties. During the term of this Agreement, Executive shall serve as the Executive Vice President and Chief Human Resources Officer of PAE, performing duties and having responsibilities customary for the chief human resources officer of similar companies. Executive shall perform such services and duties in accordance with the policies, practices and bylaws of PAE.

SECTION 1.03. Time and Effort. Executive shall serve PAE faithfully, loyally, honestly and to the best of Executive's ability. Executive shall devote all of Executive's business time and best efforts to the performance of Executive's duties on behalf of PAE. During Executive's term of employment, Executive shall not at any time or place or to any extent whatsoever, either directly or indirectly, without the express written consent of the Compensation Committee of the Board of Directors of PAE (the "Committee"), engage in any outside employment or in any activity that, in the reasonable judgment of PAE, is competitive with or adverse to the business, practice or affairs of PAE or any of its affiliates, whether or not such activity is pursued for gain, profit or other pecuniary advantage. Notwithstanding the foregoing, it shall not be a violation of this Agreement for Executive to serve as a director of charitable organizations to the extent such service has been approved by the Committee (such approval not to be unreasonably withheld).

ARTICLE II

Compensation

SECTION 2.01. Base Salary. Each year of Executive's employment under this Agreement, commencing with 2020 and during the entire term of this Agreement, PAE shall, as compensation for the obligations set forth herein and for all services rendered by Executive in any capacity during Executive's employment under this Agreement, including services as an officer, employee, director or member of any governing body, or committee thereof, of PAE or any of its affiliates, pay Executive a base salary ("Base Salary") at the annual rate of \$329,725.00 per year, payable in substantially equal installments in accordance with PAE's standard payroll practices as in effect from time to time. During the first (1st) quarter of each year during the term of Executive's employment under this Agreement, commencing with 2021, the Committee shall review and may, in its discretion, increase Executive's Base Salary, retroactive to January 1 of that year. In the event that sickness or disability payments under any insurance programs of PAE or otherwise shall become payable to Executive in respect of any period of Executive's employment under this Agreement, the salary installment payable to Executive hereunder on the next succeeding salary installment payment date shall be an amount computed by subtracting (a) the amount of such sickness or disability payments that shall have become payable during the period between such date and the immediately preceding salary installment date from (b) the salary installment otherwise payable to Executive hereunder on such date.

SECTION 2.02 Annual Bonus. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the annual incentive compensation plans of PAE, as may be continued or established by the Committee, in its discretion, from time to time (the "Bonus Plan") and shall have the opportunity to earn a performance-based bonus ("Annual Bonus") targeted at 60% of Executive's Base Salary ("Target Bonus") and a maximum bonus opportunity for above-target performance of up to 200% of Executive's Base Salary for the fiscal year to which such Annual Bonus relates. The performance goals and Annual Bonus payable for a given fiscal year under the Bonus Plan shall be determined by the Committee. Except as provided in Article IV, payment of the Annual Bonus will be conditioned upon Executive's continued employment through the payment date.

Any Annual Bonus payable for a fiscal year shall be paid in the following fiscal year, no later than March 15.

SECTION 2.03 Equity Plan. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the PAE Incorporated 2020 Equity Incentive Plan, as it may be amended from time to time (the "Equity Plan"). Executive shall receive grants under the Equity Plan consistent with Executive's position and duties as determined by the Committee. Any equity awards granted to Executive shall be subject to the terms and conditions set forth in the Equity Plan and the applicable grant agreement.

ARTICLE III

Executive Benefits

SECTION 3.01 Benefit Plans During the term of Executive's employment under this Agreement, Executive shall be entitled to participate in any benefit plans (excluding severance, bonus, equity, incentive or profit-sharing plans) offered by PAE as in effect from time to time (collectively, "Benefit Plans") on the same basis as that generally made available to other employees of PAE to the extent Executive may be eligible to do so under the terms of any such Benefit Plan. Executive understands that any such Benefit Plans may be terminated or amended from time to time by PAE in its discretion. Notwithstanding the first sentence of this Section 3.01, nothing shall preclude Executive from participating during the term of Executive's employment under this Agreement in any present or future bonus, equity, incentive or profit-sharing plan or other plan of PAE for the benefit of its employees, in each case as and to the extent approved or determined by the Committee in its discretion and subject to the other terms of this Agreement.

SECTION 3.02 Business Expenses. PAE will reimburse Executive for all reasonably incurred business expenses, subject to the travel and expense policy established by PAE from time to time, incurred by Executive during the term of Executive's employment under this Agreement in the performance of Executive's duties hereunder; provided that Executive furnishes to PAE adequate records and other documentary evidence required to substantiate such expenditures.

SECTION 3.03 Vacation. During the term of Executive's employment under this Agreement, Executive shall receive paid vacation days in the amount accrued and taken in accordance with PAE's vacation policy based on Executive's tenure with the Company.

ARTICLE IV

Termination

SECTION 4.01 Exclusive Rights. The amounts payable under this Article IV are intended to be, and are, exclusive and in lieu of any other rights or remedies to which Executive may otherwise be entitled, including under common, tort or contract law, under

policies of PAE and its affiliates in effect from time to time, under this Agreement or otherwise, in the event of Executive's termination of employment with PAE and its affiliates.

SECTION 4.02 Termination by PAE for Cause; Termination by Executive without Good Reason. (a) If PAE terminates Executive for Cause or if Executive elects to terminate Executive's employment with PAE without Good Reason, Executive shall be entitled to receive (i) Base Salary earned through the date of termination that remains unpaid as of the date of Executive's termination, (ii) any Annual Bonus for any previously completed bonus period that has been earned and remains unpaid as of the date of Executive's termination, (iii) reimbursement for any unreimbursed business expenses properly incurred by Executive prior to the date of Executive's termination to the extent such expenses are reimbursable under Section 3.02 and (iv) such benefits (excluding benefits under any severance plan, program or policy then in effect), if any, to which Executive may be entitled under the Benefit Plans as of the date of Executive's termination, which benefits shall be payable in accordance with the terms of such Benefits Plans (the amounts described in clauses (i) through (iv) of this Section 4.02(a) being referred to herein as the "Accrued Rights").

(b) For purposes of this Agreement, the term "Cause" shall mean Executive's:

(i) intentional failure to perform reasonably assigned duties;

(ii) personal dishonesty or willful misconduct in the performance of duties, which causes or threatens to cause material injury to PAE or any of its affiliates;

(iii) breach of fiduciary duties owed by Executive to PAE or any of its affiliates resulting in personal profit to Executive;

(iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses);

(v) material failure to comply with PAE's code of conduct or employment policies; or

(vi) any act by Executive involving (a) fraud, (b) any breach by Executive of applicable regulations of competent authorities in relation to trading or dealing with stocks, securities, or investments or (c) any willful or grossly negligent act by the Executive resulting in an investigation by the Securities and Exchange Commission, which, in each of cases (a), (b) and (c) above, the Committee determines in its reasonable and good faith discretion materially adversely affects PAE or any of its affiliates or Executive's ability to perform his duties hereunder.

For purposes of this definition, an act, or failure to act, on Executive's part shall be deemed "willful" if done, or omitted to be done, by Executive intentionally, in bad faith and without reasonable belief that the action or omission was in the best interest of PAE. If PAE desires to terminate Executive's employment for Cause

in the case of clauses (i), (ii), (iii), (v) or (vi) of Section 4.02(b) and the basis for Cause, by its nature, is capable of being cured, PAE shall first provide Executive with written notice of the applicable event that constitutes the basis for Cause (a “Cause Notice”) within ten days of the Committee becoming aware of such event. Such notice shall specifically identify such claimed breach or other conduct. Executive shall have 15 days following receipt of such Cause Notice (the “Cause Cure Period”) to cure such basis for Cause, and PAE shall be entitled at the end of such Cause Cure Period to terminate Executive’s employment under this Agreement for Cause; provided, however, that, if such breach is cured within the Cause Cure Period or if PAE does not terminate Executive’s employment with PAE within ten days after the end of the Cause Cure Period, PAE shall not be entitled to terminate Executive’s employment for Cause based on the event described in the Cause Notice; and provided further that notwithstanding the foregoing, Executive will not be entitled to the opportunity to cure a particular basis for Cause more than once during any six-month period.

(c) For purposes of this Agreement, the term “Good Reason” shall mean any of the following actions, without Executive’s express prior written approval:

(i) with respect to any fiscal year, material reduction in the aggregate value of Executive’s Base Salary, Target Bonus opportunity and annual equity awards (assuming target performance) as compared to the aggregate value of such amounts for the 2020 fiscal year;

(ii) subject to the terms and conditions of the applicable plan(s), any failure by PAE to continue to provide retirement, fringe and welfare benefits to Executive that are substantially similar in the aggregate to those afforded to senior management employees of PAE;

(iii) any material adverse change in Executive’s duties or responsibilities;

(iv) any relocation of Executive’s principal place of business of 50 miles or more, provided that such relocation also increases Executive’s commute by at least 25 miles;

(v) any delivery to Executive by PAE of a Notice of Non-Renewal; or

(vi) any failure to pay Executive’s Base Salary and other amounts earned by Executive within ten days after the date such compensation is due.

(d) Executive must provide written notice to PAE pursuant to Section 6.05 of this Agreement of Executive’s intent to resign for Good Reason within 45 days of the occurrence of an event described in Section 4.02(c) above (each, a “Good Reason Event”) in order for Executive’s resignation for Good Reason to be effective hereunder. Upon receipt of

such notice, PAE shall have 30 days (60 days in the case of the Good Reason Event described in Section 4.02(c)(v) above) (the applicable period, the “Good Reason Cure Period”) to rectify the Good Reason Event. If PAE fails to rectify the Good Reason Event prior to the expiration of the Good Reason Cure Period, then Executive may terminate employment within 10 days following the expiration of the Good Reason Cure Period and such termination will be considered for Good Reason and, in the event Executive’s termination is in respect of the Good Reason Event described in Section 4.02(c)(v) above, such termination will be considered for Good Reason for all purposes of this Agreement notwithstanding the earlier expiration of the term of Executive’s employment under this Agreement.

SECTION 4.03 Termination by PAE Other Than for Cause, Disability or Death; Termination by Executive for Good Reason. If PAE elects to terminate Executive’s employment for any reason other than Cause, Disability (as defined below) or death or if Executive terminates Executive’s employment with PAE for Good Reason, Executive shall be entitled to the Accrued Rights and, provided that Executive has provided a general release in favor of PAE and its subsidiaries and affiliates, and their respective directors, officers, employees, agents and representatives in form and substance reasonably acceptable to PAE (the “Release”) and the Release has become effective and irrevocable prior to the 60th day after such termination of employment, Executive shall be entitled to the following:

Cash Payments. (a)(i) PAE shall pay to Executive an amount equal to one times the sum of Executive’s then-current Base Salary and “Average Bonus” (as defined below), payable in equal installments through the date that is 12 months after the date of Executive’s termination of employment (the “Severance Period”) at the same times at which and in the same manner in which Executive’s Base Salary would have been payable to Executive had a termination of employment not occurred (but no less frequently than monthly) and (ii) PAE shall provide to Executive, during the fiscal year following the fiscal year in which Executive’s termination of employment occurs, no later than March 15, an Annual Bonus for the fiscal year in which the termination occurs equal to the Annual Bonus that Executive would have received if his employment had not terminated prior to the end of the fiscal year (e.g., after determining whether applicable performance goals have been achieved determined on a basis consistent with past practice), pro-rated based on a fraction, the numerator of which shall equal the number of days Executive was employed by PAE in the fiscal year in which Executive’s termination occurs and the denominator of which shall equal 365 (the “Pro-Rata Bonus”); provided, however, that, in the case of clause (i), PAE shall (x) commence such payments on the 60th day after termination of Executive’s employment, except that any payments that would have otherwise been paid to Executive following the date of the termination of employment and prior to such 60th day shall be accumulated and paid to Executive in a lump sum on such 60th day, and (y) not continue such payments at any time following either (A) breach of the provisions of Section 5.03 or 5.04 or (B) breach of the provisions of Article V (other than Section 5.03 or 5.04) that (X) is materially damaging to the business or reputation of PAE or any of its affiliates or (Y) occurs after PAE has notified Executive of a prior breach of such Article V (other than Section 5.03 or 5.04). For purposes of this Agreement, “Average Bonus” means the average of all Annual Bonuses paid or payable to Executive in respect of the three fiscal years ended prior to the fiscal year in which the employment of Executive is terminated (or, if Executive was not employed by

PAE during each of such fiscal years, such lesser number of fiscal years during which Executive was so employed); provided that for purposes of calculating “Average Bonus”, (i) any pro-rated Annual Bonus awarded to Executive for a fiscal year in which Executive was employed for less than the full fiscal year shall be annualized and (ii) the Annual Bonus for the last of the three fiscal years utilized in this calculation shall be disregarded (and Executive shall be treated as if he were not employed during such fiscal year) if the Annual Bonus for that year (A) has not been paid because Executive was terminated prior to the scheduled date for payment of such Annual Bonus or (B) was paid based on an adverse change to Executive’s Target Annual Bonus.

(b) Medical, Dental and Life Insurance Benefit Continuation. During the Severance Period, Executive and Executive’s spouse and dependents (each as defined under the applicable program) shall receive the following benefits if the Executive timely and properly elects continued benefits coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”): (x) medical and dental insurance coverage at the same benefit levels as provided to active senior management employees of PAE, for which PAE will reimburse Executive during the Severance Period, for the total amount of the monthly medical and dental insurance premiums payable by Executive for continued benefits coverage pursuant to COBRA in excess of the cost Executive paid for such coverage (on a monthly premium basis) immediately prior to such termination of employment; provided, however, that if, during the Severance Period, Executive becomes employed by a new employer that provides medical and dental coverage, PAE’s continuing medical and dental coverage (and any cash payments in lieu thereof) shall become secondary to such new employer’s coverage with respect to claims covered by such new employer’s medical and dental plans; and (y) a monthly cash payment grossed up for taxes to permit Executive to purchase life insurance coverage at the same benefit level as currently provided to active senior management employees of PAE and at the same cost to Executive as is generally provided to active senior management employees of PAE. Notwithstanding any provision of this Agreement to the contrary, to the extent necessary to satisfy Section 105(h) of the Internal Revenue Code of 1986, as amended (the “Code”), or if PAE determines it is necessary to avoid the imposition of an excise tax on PAE, PAE will be permitted to alter the manner in which medical and dental benefits are provided to Executive following termination of Executive’s employment; provided that the after-tax cost to Executive of such benefits shall not be greater than the cost applicable to similarly situated executives of PAE who have not terminated employment.

(c) Outplacement. Executive shall receive reasonable outplacement services to be provided by a provider selected by Executive during the Severance Period, the cost of which shall be borne by PAE; provided, however, that, notwithstanding the foregoing, Executive shall commence using such services within 12 months of Executive’s termination of employment, such outplacement services shall end not later than the last day of the second calendar year that begins after the date of termination of Executive’s employment and PAE shall pay any amounts in respect of such outplacement services not later than the last day of the third calendar year that begins after such date of termination.

(d) Release. For the avoidance of doubt, (x) the Release shall not require Executive to release any rights to post-termination payments or benefits afforded to him by this

Agreement, or any vested benefits or rights pursuant to the terms of PAE's or its affiliates' benefit plans or programs, and (y) if the Release does not become effective and irrevocable within 60 days following the date of Executive's termination of employment pursuant to this Section 4.03(d), PAE shall not be obligated to make any payments or provide any benefits under Section 4.03(a), (b) or (c) above and Executive shall only be entitled to the Accrued Rights.

SECTION 4.04 Termination for Disability or Death. Executive's employment shall terminate automatically upon Executive's death. PAE may terminate Executive's employment upon the occurrence of Executive's Disability. In the event of Executive's termination due to death or Disability, Executive, or Executive's estate, as the case may be, shall be entitled to receive the Accrued Rights, and the Pro-Rata Bonus during the calendar year following the calendar year in which Executive's termination of employment occurs. For purposes of this Agreement, the term "Disability" shall mean (a) the inability of Executive, due to illness, accident or any other physical or mental incapacity, to perform Executive's duties in a normal manner for a period of 180 days (whether or not consecutive) in any twelve-month period during the term of Executive's employment under this Agreement or (b) Executive being accepted for long-term disability benefits under any long-term disability plan in which he is then participating. The Committee shall determine, according to the facts then available, whether and when the Disability of Executive has occurred. Such determination shall not be arbitrary or unreasonable and the Committee will take into consideration the expert medical opinion of a physician chosen by PAE, after such physician has completed an examination of Executive. Executive agrees to make himself available for such examination upon the reasonable request of PAE.

ARTICLE V

Executive Covenants

SECTION 5.01. PAE Interests. Executive acknowledges that PAE has expended substantial amounts of time, money and effort to develop business strategies, customer relationships, employee relationships, trade secrets and goodwill and to build an effective organization, and that PAE has a legitimate business interest and right in protecting those assets as well as any similar assets that PAE may develop or obtain. Executive acknowledges that PAE is entitled to protect and preserve the going concern value of PAE and its business and trade secrets to the extent permitted by law. Executive acknowledges that PAE's business is worldwide in nature and international in scope. Executive acknowledges and agrees that the restrictions imposed upon Executive under this Agreement are reasonable and necessary for the protection of PAE's goodwill, confidential information, trade secrets and customer relationships, and that the restrictions set forth in this Agreement will not prevent Executive from earning a livelihood without violating any provision of this Agreement.

SECTION 5.02. Consideration to Executive. In consideration of PAE's entering into this Agreement and PAE's obligations hereunder and other good and valuable consideration, the receipt of which is hereby acknowledged, and acknowledging hereby that PAE would not have entered into this Agreement without the covenants contained in this Article V, Executive hereby agrees to be bound by the provisions and covenants contained in this Article V.

SECTION 5.03. Non-Solicitation. Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's termination of employment with PAE for any reason, Executive shall not, and shall cause each of Executive's affiliates (other than PAE) not to, directly or indirectly: (a) solicit any person or entity that is or was a customer (or prospective customer) of PAE to (i) purchase any goods or services related to any Competitive Business (as defined below) that are of the type sold by PAE, from anyone other than PAE or (ii) reduce its volume of goods or services purchased from PAE, (b) interfere with, or attempt to interfere with, business relationships (whether formed before, on or after the Effective Date) between PAE and suppliers, partners, members or investors of PAE, (c) other than on behalf of PAE, solicit, recruit or hire any employee or consultant of PAE or any person who has, at any time within two years prior to such solicitation, recruitment or hiring, worked for or provided services to PAE, (d) solicit or encourage any employee or consultant of PAE to leave the employment of, or to cease providing services to, PAE or (e) assist any person or entity in any way to do, or attempt to do, anything prohibited by this Section 5.03.

SECTION 5.04 Non-Competition. (a) Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's termination of employment with PAE for any reason, Executive shall not (i) directly or indirectly, be employed by (as an employee or independent contractor) or serve on the board of or in an executive role for any Competitive Business or (ii) otherwise assist or engage in any Competitive Business where such assistance or engagement is substantially detrimental to the business reputation of PAE.

(b) The term "Competitive Business" shall mean (A) any business or entity that engages in business of the type conducted by PAE within PAE's industry sector during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE, except for any business or entity that, under the regulations of the Small Business Administration in Part 121 of Title 13 of the Code of Federal Regulations, is determined to be a small business concern; (B) any business that is a contractor or subcontractor under any government contract under which PAE is a contractor or subcontractor during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE; or (C) any entity that is, during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment with PAE, as of the date of Executive's termination of employment with PAE, competing for any government contract (including any re-compete or follow-on procurement) on which PAE has bid or plans to bid during Executive's employment, or with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment or within six months following the date of Executive's termination of employment.

SECTION 5.05. Confidential Information. Executive hereby acknowledges that (a) in the performance of Executive's duties and services pursuant to this Agreement, Executive has received, and may be given access to, Confidential Information and (b) all Confidential Information is or will be the property of PAE. For purposes of this Agreement,

“Confidential Information” shall mean information, knowledge and data that is or will be used, developed, obtained or owned by PAE relating to the business, products and/or services of PAE or the business, products and/or services of any customer, sales officer, sales associate or independent contractor thereof, including products, services, fees, pricing, designs, marketing plans, strategies, analyses, forecasts, formulas, drawings, photographs, reports, records, computer software (whether or not owned by, or designed for, PAE), other operating systems, applications, program listings, flow charts, manuals, documentation, data, databases, specifications, technology, inventions, new developments and methods, improvements, techniques, trade secrets, devices, products, methods, know-how, processes, financial data, customer lists, contact persons, cost information, executive information, regulatory matters, personnel matters, accounting and business methods, copyrightable works and information with respect to any vendor, customer, sales officer, sales associate or independent contractor of PAE, in each case whether patentable or unpatentable and whether or not reduced to practice, and all similar and related information in whatever form, and all such items of any vendor, customer, sales officer, sales associate or independent contractor of PAE; provided, however, that Confidential Information shall not include information that is generally known to the public other than as a result of disclosure by Executive in breach of this Agreement or in breach of any similar covenant made by Executive prior to entering into this Agreement.

SECTION 5.06. Non-Disclosure. (a) Except as otherwise specifically provided in Section 5.07, Executive will not, directly or indirectly, disclose or cause or permit to be disclosed, to any person or entity whatsoever, or utilize or cause or permit to be utilized, by any person or to any entity whatsoever, any Confidential Information acquired pursuant to Executive’s employment with PAE (whether acquired prior to or subsequent to the execution of this Agreement) under this Agreement or otherwise.

(b) Executive will not disclose to anyone, other than Executive’s immediate family and legal or financial advisors, the existence or contents of this Agreement, except to the extent permitted in Section 5.07 or to comply with Section 5.12, and, to the extent such information is disclosed to Executive’s immediate family or legal or financial advisors, will instruct those parties to comply with the non-disclosure requirements of this Section 5.06.

SECTION 5.07. Permitted Disclosure. Nothing in this Agreement shall prohibit or restrict Executive from initiating communications directly with, responding to any inquiry from, providing testimony before, providing Confidential Information to, reporting possible violations of law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the Equal Employment Opportunity Commission (“EEOC”), the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General or any other federal, state or local regulatory authority (collectively, the “Regulators”), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation; provided, however, that Executive may not disclose information that is protected by the attorney-client privilege, except as expressly authorized by law. In addition, this Agreement does not prohibit Executive or PAE from disclosing Confidential Information or truthful testimony in any of the following

circumstances: (a) where disclosure is required by a court order or subpoena; (b) where disclosure is necessary in the course of a lawsuit or legal proceeding regarding this Agreement (provided appropriate measures are taken to protect such Confidential Information in any public filing); (c) when necessary to file a charge or complaint with a governmental agency such as the EEOC; or (d) when necessary to participate, cooperate, or testify in any investigation or proceeding that is conducted under the Sarbanes-Oxley Act or before a legislative body or other governmental agency. In the event Executive discloses or reasonably believes he may have to disclose Confidential Information under the circumstances of subsections (a) or (b) hereof, Executive agrees to promptly notify PAE of the substance and circumstances of the disclosure (unless prohibited by law) so that PAE can take timely action to protect its interests. Executive does not need the prior authorization of PAE to make any reports or disclosures under the circumstances of subsections (c) or (d) hereof, nor is he required to notify PAE that he has made such reports or disclosures. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose trade secrets to their attorneys, courts, or government officials in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

SECTION 5.08 Assignment of Inventions; Further Assurances. All rights to discoveries, inventions, improvements and innovations (including all data and records pertaining thereto) related to the business of PAE or its current or former affiliates, whether or not patentable, copyrightable, registrable as a trademark, or reduced to writing, that Executive may discover, invent or originate during the term of Executive's service to PAE or its affiliates (whether before, on or after the Effective Date), either alone or with others and whether or not during working hours or by the use of the facilities of PAE ("Inventions"), shall be the exclusive property of PAE or its designee. Executive shall promptly disclose all Inventions to PAE. Executive shall take all requested actions and execute all requested documents to assist PAE, or its designee, at PAE's expense, in every way to secure PAE's or its designee's above rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, and to pursue any patents or registrations with respect thereto. This covenant shall survive the termination of this Agreement. If PAE or its designee is unable for any other reason to secure Executive's signature on any document for this purpose, then Executive hereby irrevocably designates and appoints PAE or its designee and their duly authorized officers and agents, as the case may be, as Executive's agent and attorney-in-fact, to act for and in Executive's behalf and stead to execute any documents and to do all other lawfully permitted acts in connection with the foregoing.

SECTION 5.09 Records. All memoranda, books, records, documents, papers, plans, information, letters and other data relating to Confidential Information or the business and customer accounts of PAE, whether prepared by Executive or otherwise, coming into Executive's possession shall be and remain the exclusive property of PAE and Executive shall not, during the term of Executive's employment with PAE or thereafter, directly or indirectly assert any interest or property rights therein. Upon termination of employment with PAE for any reason, (a) Executive will immediately return to PAE all such memoranda, books,

records, documents, papers, plans, information, letters and other data, and all copies thereof or therefrom, and Executive will not retain, or cause or permit to be retained, any copies or other embodiments of the materials so returned and (b) Executive will delete all documents, materials, and information (and copies thereof) of PAE from all of Executive's personal electronic devices (e.g., laptop, iPad, telephone, thumb drives, etc.). Executive further agrees that he will not retain or use for Executive's account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of PAE.

SECTION 5.10 Non-Disparagement Executive has not prior to the Effective Date, whether in writing or orally, criticized or disparaged PAE, nor shall Executive during the period commencing on the Effective Date and terminating five years after the date of Executive's termination of employment with PAE for any reason (the "Non-Disparagement Period"), unless in the context of litigation between PAE and Executive or under penalty of perjury or otherwise permitted pursuant to Section 5.07, whether in writing or orally, criticize or disparage PAE or any of its respective current or former affiliates, directors, officers, employees, members, partners, agents or representatives. PAE shall instruct the PAE Parties (as defined below) not to, whether in writing or orally, criticize or disparage Executive during the Non-Disparagement Period, unless in the context of litigation between PAE and Executive or under penalty of perjury. For purposes of this Agreement, the term "PAE Parties" shall mean the executive officers and designated spokespersons of PAE Incorporated, acting in their capacity as representatives of PAE.

SECTION 5.11 Specific Performance. Executive agrees that any breach by Executive of any of the provisions of this Article V shall cause irreparable harm to PAE that could not be made whole by monetary damages and that, in the event of such a breach, Executive shall waive the defense in any action for specific performance that a remedy at law would be adequate, and PAE shall be entitled to specifically enforce the terms and provisions of this Article V without the necessity of proving actual damages or posting any bond or providing prior notice, in addition to any other remedy to which PAE may be entitled at law or in equity.

SECTION 5.12 Notification of Subsequent Employer. Prior to accepting employment with any other person or entity during any period during which Executive remains subject to any of the covenants set forth in Section 5.03 or Section 5.04, Executive shall provide such prospective employer with written notice of such provisions of this Agreement, with a copy of such notice delivered simultaneously to PAE in accordance with Section 6.05.

ARTICLE VI

Miscellaneous

SECTION 6.01 Assignment. This Agreement shall not be assignable by Executive. The parties agree that any attempt by Executive to delegate Executive's duties hereunder shall be null and void. This Agreement may be assigned by PAE to a person or entity that is an affiliate or a successor in interest to substantially all the business operations of PAE. Upon such assignment, the rights and obligations of PAE hereunder shall become the rights and obligations of such affiliate or successor person or entity. As used in this Agreement, the term

“PAE” shall mean PAE as hereinbefore defined in the recital to this Agreement and any permitted assignee to which this Agreement is assigned.

SECTION 6.02 Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of PAE and the personal or legal representatives, executors, administrators, successors, distributees, devisees and legatees of Executive. Executive acknowledges and agrees that all Executive’s covenants and obligations to PAE, as well as the rights of PAE under this Agreement, shall run in favor of and will be enforceable by PAE, its subsidiaries and its successors and permitted assigns.

SECTION 6.03 Entire Agreement This Agreement constitutes the entire agreement and understanding of the parties and with respect to the transactions contemplated hereby and subject matter hereof and supersedes and replaces any and all prior agreements, understandings, statements, representations and warranties, written or oral, express or implied and/or whenever and howsoever made, directly or indirectly relating to the subject matter hereof. Notwithstanding the above, Executive’s covenants set forth in Article V shall operate independently of, and shall be in addition to, any similar covenants to which Executive is subject pursuant to any other agreement with PAE or any of PAE’s affiliates.

SECTION 6.04 Amendment: Except as provided in Section 6.14(d) hereof, this Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

SECTION 6.05 Notice All documents, notices, requests, demands and other communications that are required or permitted to be delivered or given under this Agreement shall be in writing and shall be deemed to have been duly delivered or given when received.

If to PAE: PAE Incorporated
7799 Leesburg Pike, Suite 300 North
Falls Church, VA 22043
Attention: Whit Cobb
E-mail: whit.cobb@pae.com

If to Executive: Patricia Munchel
41536 Hoddesdon Ct
Aldie, VA 20105
Telephone: (703) 819-2188
E-mail: pmcmunchel@gmail.com

Each of the parties may change the address to which notices under this Agreement shall be sent by providing written notice to the other in the manner specified above.

SECTION 6.06 Governing Law and Jurisdiction. (a) This Agreement and any disputes arising under or related hereto (whether for breach of contract, tortious conduct or

otherwise) shall be governed and construed in accordance with the laws of the State of New York, without reference to its conflicts of law principles. Each party irrevocably agrees that any legal action, suit or proceeding against them arising out of or in connection with this Agreement or the transactions contemplated by this Agreement or disputes relating hereto (whether for breach of contract, tortious conduct or otherwise) shall be brought exclusively in the United States District Court for the Eastern District of Virginia, or, if such court does not have subject matter jurisdiction, the state courts of Virginia located in Arlington County and hereby irrevocably accepts and submits to the exclusive jurisdiction and venue of the aforesaid courts in personam, with respect to any such action, suit or proceeding.

(b) Each party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 6.06(b).

(c) Each party in any dispute or legal action arising under this Agreement shall be responsible for bearing its own expenses, attorneys' fees and other costs in such dispute or legal action.

SECTION 6.07 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable in any jurisdiction, then such provision, covenant or condition, as to such jurisdiction, shall be modified or restricted to the extent necessary to make such provision valid, binding and enforceable, or, if such provision cannot be modified or restricted, then such provision shall, as to such jurisdiction, be deemed to be excised from this Agreement and any such invalidity, illegality or unenforceability with respect to such provision shall not invalidate or render unenforceable such provision in any other jurisdiction, and the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SECTION 6.08 Survival. The rights and obligations of PAE and Executive under the provisions of this Agreement, including Articles V and VI, shall survive and remain binding and enforceable, notwithstanding any termination of Executive's employment with PAE, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 6.09 Cooperation. Executive shall provide Executive's reasonable cooperation to PAE in connection with any suit, action or proceeding (or any appeal therefrom) that relates to events occurring during Executive's employment with PAE or any of its affiliates other than a suit between Executive, on the one hand, and PAE, on the other hand, provided that PAE shall reimburse Executive for expenses reasonably incurred in connection with such cooperation.

SECTION 6.10 Executive Representation. Executive hereby represents to PAE that the execution and delivery of this Agreement by Executive and PAE and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, or be prevented, interfered with or hindered by, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

SECTION 6.11. No Waiver. The provisions of this Agreement may be waived only in writing signed by the party or parties entitled to the benefit thereof. A waiver or any breach or failure to enforce any provision of this Agreement shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every provision of this Agreement.

SECTION 6.12. Set Off. PAE's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set off, counterclaim or recoupment of amounts owed by Executive to PAE or its affiliates, except as provided in Section 6.14.

SECTION 6.13. Withholding Taxes. PAE may withhold from any amounts payable under this Agreement such Federal, state, local and foreign taxes as may be required to be withheld pursuant to any applicable law or regulation.

SECTION 6.14. Section 409A. (a) It is intended that the provisions of this Agreement comply with Section 409A ("Section 409A") of the Code or an exemption thereunder, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A.

(b) Neither Executive nor any of his creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement or under any other plan, policy, arrangement or agreement of or with PAE or any of its affiliates (this Agreement and such other plans, policies, arrangements and agreements, the "Company Plans") to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Executive or for Executive's benefit under any Company Plan may not be reduced by, or offset against, any amount owing by Executive to PAE or any of its affiliates.

(c) Severance benefits under this Agreement are intended to be exempt from section 409A of the Code under the "short-term deferral" exception, to the maximum extent applicable, and then under the "separation pay" exception, to the maximum extent applicable. If, at the time of Executive's separation from service (within the meaning of Section 409A), (i) Executive shall be a specified employee (within the meaning of Section 409A and using the identification methodology selected by PAE from time to time) and (ii) PAE shall make a good faith determination that an amount payable under a Company Plan constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or

penalties under Section 409A, then PAE (or its affiliate, as applicable) shall not pay such amount on the otherwise scheduled payment date but shall instead accumulate such amount and pay it on the first business day after such six-month period.

(d) Notwithstanding any provision of this Agreement or any other Company Plan to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, PAE reserves the right to make amendments to any Company Plan as PAE deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, Executive is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on Executive or for Executive's account in connection with any Company Plan (including any taxes and penalties under Section 409A), and neither PAE nor any affiliate shall have any obligation to indemnify or otherwise hold Executive harmless from any or all of such taxes or penalties.

(e) For purposes of Section 409A, each payment hereunder will be deemed to be a separate payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Notwithstanding anything herein to the contrary, to the extent required by Section 409A, Executive shall not be entitled to any payments or benefits payable hereunder as a result of Executive's termination of employment with PAE unless such termination of employment qualifies as a "separation from service" within the meaning of Section 409A (and any related regulations or other pronouncements thereunder),

(f) Except as specifically permitted by Section 409A, any benefits and reimbursements provided to Executive under this Agreement during any calendar year shall not affect any benefits and reimbursements to be provided to Executive under this Agreement in any other calendar year, and the right to such benefits and reimbursements cannot be liquidated or exchanged for any other benefit. Furthermore, reimbursement payments shall be made to Executive as soon as practicable following the date that the applicable expense is incurred, but in no event later than the last day of the calendar year following the calendar year in which the underlying expense is incurred.

SECTION 6.15. Section 280G. (a) In the event of a change in ownership or control under Section 280G of the Code, if it shall be determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the aggregate present value of the Payments under the Agreement shall be reduced (but not below zero) to the Reduced Amount (defined below) if and only if the Accounting Firm (described below) determines that the reduction will provide Executive with a greater net after-tax benefit than would no reduction. No reduction shall be made unless the reduction would provide Executive with a greater net after-tax benefit. The determinations under this Section shall be made as follows:

(b) The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Payments under this Agreement without causing any Payment under this Agreement to be subject to the Excise Tax (defined below), determined

in accordance with Section 280G(d)(4) of the Code. The term “Excise Tax” means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(c) Payments under this Agreement shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to Executive. Where more than one payment has the same value for this purpose and they are payable at different times, they will be reduced on a pro rata basis. Only amounts payable under this Agreement shall be reduced pursuant to this Section.

(d) All determinations to be made under this Section shall be made by an independent certified public accounting firm selected by the Company and agreed to by the Executive immediately prior to the change-in-ownership or -control transaction (the “Accounting Firm”). The Accounting Firm shall provide its determinations and any supporting calculations both to the Company and the Executive within ten days of the transaction. Any such determination by the Accounting Firm shall be binding upon the Company and Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section shall be borne solely by the Company.

SECTION 6.16. Company Policies. This Agreement and the compensation payable hereunder shall be subject to any applicable clawback or recoupment policies, share trading policies, and other policies that may be implemented by the Board of Directors of PAE from time to time with respect to officers of the Company.

SECTION 6.17. Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile or PDF), each of which shall be deemed to be an original instrument and all of which together shall constitute a single instrument. If any signature is delivered by facsimile transmission or by PDF, such signature shall create a valid and binding obligation of the party executing (or on whose behalf the signature is executed) with the same force and effect as if such facsimile or PDF signature were an original thereof.

SECTION 6.18. Construction. (a) The headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(b) As used in this Agreement, words such as “herein,” “hereinafter,” “hereby” and “hereunder,” and the words of like import refer to this Agreement, unless the context requires otherwise. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

(c) As used in Articles V and VI, the term “PAE” includes PAE and its subsidiaries and affiliates and their predecessors, successors and assigns.

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

PAE INCORPORATED,

by /s/ Paul W. Cobb, Jr.

Name: Paul W. Cobb, Jr.

Title: Executive Vice President, General Counsel and Secretary

PATRICIA M.C. MUNCHEL,

/s/ Patricia M.C. Munchel

Exhibit 10.5

EMPLOYMENT AGREEMENT (this "Agreement") dated as of May 5, 2020 (the "Effective Date"), by and between RENE MOLINE ("Executive") and PAE INCORPORATED, a Delaware corporation ("PAE").

WHEREAS, PAE desires to continue to employ Executive, and Executive desires to continue such employment and enter into this Agreement, which sets forth the terms and conditions under which Executive will continue to serve PAE, effective as of the Effective Date.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE 1

Employment

SECTION 1.01. Term. The term of Executive's employment under this Agreement shall commence on the Effective Date and shall terminate on the second anniversary of the Effective Date (the "Initial Period"); provided that such term of employment shall automatically renew upon the expiration of the Initial Period and on each subsequent anniversary thereof for one year ("Renewal Period"), unless PAE delivers to Executive, or Executive delivers to PAE, written notice ("Notice of Non-Renewal") at least 60 days in advance of the expiration of the Initial Period or any Renewal Period that such term of employment shall not be extended, in which case such term of employment shall end at the end of the Initial Period or Renewal Period in which such notice was delivered and shall not be further extended. Notwithstanding the foregoing, Executive's employment with PAE shall be "at will" and, subject to the provisions of Article IV and the notice requirements set forth above, Executive's employment under this Agreement may be terminated by PAE or Executive at any time and for any reason, with or without prior notice.

SECTION 1.02. Position and Duties. During the term of this Agreement, Executive shall serve as a Business Unit President of PAE, performing duties and having responsibilities customary for a business unit president of similar companies. Executive shall perform such services and duties in accordance with the policies, practices and bylaws of PAE.

SECTION 1.03. Time and Effort. Executive shall serve PAE faithfully, loyally, honestly and to the best of Executive's ability. Executive shall devote all of Executive's business time and best efforts to the performance of Executive's duties on behalf of PAE. During Executive's term of employment, Executive shall not at any time or place or to any extent whatsoever, either directly or indirectly, without the express written consent of the Compensation Committee of the Board of Directors of PAE (the "Committee"), engage in any outside employment or in any activity that, in the reasonable judgment of PAE, is competitive with or adverse to the business, practice or affairs of PAE or any of its affiliates, whether or not such activity is pursued for gain, profit or other pecuniary advantage. Notwithstanding the foregoing, it shall not be a violation of this Agreement for Executive to serve as a director of charitable organizations to the extent such service has been approved by the Committee (such approval not to be unreasonably withheld).

ARTICLE II

Compensation

SECTION 2.01. Base Salary. Each year of Executive's employment under this Agreement, commencing with 2020 and during the entire term of this Agreement, PAE shall, as compensation for the obligations set forth herein and for all services rendered by Executive in any capacity during Executive's employment under this Agreement, including services as an officer, employee, director or member of any governing body, or committee thereof, of PAE or any of its affiliates, pay Executive a base salary ("Base Salary") at the annual rate of \$325,000.00 per year, payable in substantially equal installments in accordance with PAE's standard payroll practices as in effect from time to time. During the first (1st) quarter of each year during the term of Executive's employment under this Agreement, commencing with 2021, the Committee shall review and may, in its discretion, increase Executive's Base Salary, retroactive to January 1 of that year. In the event that sickness or disability payments under any insurance programs of PAE or otherwise shall become payable to Executive in respect of any period of Executive's employment under this Agreement, the salary installment payable to Executive hereunder on the next succeeding salary installment payment date shall be an amount computed by subtracting (a) the amount of such sickness or disability payments that shall have become payable during the period between such date and the immediately preceding salary installment date from (b) the salary installment otherwise payable to Executive hereunder on such date.

SECTION 2.02 Annual Bonus. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the annual incentive compensation plans of PAE, as may be continued or established by the Committee, in its discretion, from time to time (the "Bonus Plan") and shall have the opportunity to earn a performance-based bonus ("Annual Bonus") targeted at 75% of Executive's Base Salary ("Target Bonus") and a maximum bonus opportunity for above-target performance of up to 200% of Executive's Base Salary for the fiscal year to which such Annual Bonus relates. The performance goals and Annual Bonus payable for a given fiscal year under the Bonus Plan shall be determined by the Committee. Except as provided in Article IV, payment of the Annual Bonus will be conditioned upon Executive's continued employment through the payment date.

Any Annual Bonus payable for a fiscal year shall be paid in the following fiscal year, no later than March 15.

SECTION 2.03 Equity Plan. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the PAE Incorporated 2020 Equity Incentive Plan, as it may be amended from time to time (the "Equity Plan"). Executive shall receive grants under the Equity Plan consistent with Executive's position and duties as determined by the Committee. Any equity awards granted to Executive shall be subject to the terms and conditions set forth in the Equity Plan and the applicable grant agreement.

ARTICLE III

Executive Benefits

SECTION 3.01 Benefit Plans During the term of Executive's employment under this Agreement, Executive shall be entitled to participate in any benefit plans (excluding severance, bonus, equity, incentive or profit-sharing plans) offered by PAE as in effect from time to time (collectively, "Benefit Plans") on the same basis as that generally made available to other employees of PAE to the extent Executive may be eligible to do so under the terms of any such Benefit Plan. Executive understands that any such Benefit Plans may be terminated or amended from time to time by PAE in its discretion. Notwithstanding the first sentence of this Section 3.01, nothing shall preclude Executive from participating during the term of Executive's employment under this Agreement in any present or future bonus, equity, incentive or profit-sharing plan or other plan of PAE for the benefit of its employees, in each case as and to the extent approved or determined by the Committee in its discretion and subject to the other terms of this Agreement.

SECTION 3.02 Business Expenses. PAE will reimburse Executive for all reasonably incurred business expenses, subject to the travel and expense policy established by PAE from time to time, incurred by Executive during the term of Executive's employment under this Agreement in the performance of Executive's duties hereunder; provided that Executive furnishes to PAE adequate records and other documentary evidence required to substantiate such expenditures.

SECTION 3.03 Vacation. During the term of Executive's employment under this Agreement, Executive shall receive paid vacation days in the amount accrued and taken in accordance with PAE's vacation policy based on Executive's tenure with the Company.

ARTICLE IV

Termination

SECTION 4.01 Exclusive Rights. The amounts payable under this Article IV are intended to be, and are, exclusive and in lieu of any other rights or remedies to which Executive may otherwise be entitled, including under common, tort or contract law, under

policies of PAE and its affiliates in effect from time to time, under this Agreement or otherwise, in the event of Executive's termination of employment with PAE and its affiliates.

SECTION 4.02 Termination by PAE for Cause; Termination by Executive without Good Reason. (a) If PAE terminates Executive for Cause or if Executive elects to terminate Executive's employment with PAE without Good Reason, Executive shall be entitled to receive (i) Base Salary earned through the date of termination that remains unpaid as of the date of Executive's termination, (ii) any Annual Bonus for any previously completed bonus period that has been earned and remains unpaid as of the date of Executive's termination, (iii) reimbursement for any unreimbursed business expenses properly incurred by Executive prior to the date of Executive's termination to the extent such expenses are reimbursable under Section 3.02 and (iv) such benefits (excluding benefits under any severance plan, program or policy then in effect), if any, to which Executive may be entitled under the Benefit Plans as of the date of Executive's termination, which benefits shall be payable in accordance with the terms of such Benefits Plans (the amounts described in clauses (i) through (iv) of this Section 4.02(a) being referred to herein as the "Accrued Rights").

(b) For purposes of this Agreement, the term "Cause" shall mean Executive's:

(i) intentional failure to perform reasonably assigned duties;

(ii) personal dishonesty or willful misconduct in the performance of duties, which causes or threatens to cause material injury to PAE or any of its affiliates;

(iii) breach of fiduciary duties owed by Executive to PAE or any of its affiliates resulting in personal profit to Executive;

(iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses);

(v) material failure to comply with PAE's code of conduct or employment policies; or

(vi) any act by Executive involving (a) fraud, (b) any breach by Executive of applicable regulations of competent authorities in relation to trading or dealing with stocks, securities, or investments or (c) any willful or grossly negligent act by the Executive resulting in an investigation by the Securities and Exchange Commission, which, in each of cases (a), (b) and (c) above, the Committee determines in its reasonable and good faith discretion materially adversely affects PAE or any of its affiliates or Executive's ability to perform his duties hereunder.

For purposes of this definition, an act, or failure to act, on Executive's part shall be deemed "willful" if done, or omitted to be done, by Executive intentionally, in bad faith and without reasonable belief that the action or omission was in the best interest of PAE. If PAE desires to terminate Executive's employment for Cause

in the case of clauses (i), (ii), (iii), (v) or (vi) of Section 4.02(b) and the basis for Cause, by its nature, is capable of being cured, PAE shall first provide Executive with written notice of the applicable event that constitutes the basis for Cause (a “Cause Notice”) within ten days of the Committee becoming aware of such event. Such notice shall specifically identify such claimed breach or other conduct. Executive shall have 15 days following receipt of such Cause Notice (the “Cause Cure Period”) to cure such basis for Cause, and PAE shall be entitled at the end of such Cause Cure Period to terminate Executive’s employment under this Agreement for Cause; provided, however, that, if such breach is cured within the Cause Cure Period or if PAE does not terminate Executive’s employment with PAE within ten days after the end of the Cause Cure Period, PAE shall not be entitled to terminate Executive’s employment for Cause based on the event described in the Cause Notice; and provided further that notwithstanding the foregoing, Executive will not be entitled to the opportunity to cure a particular basis for Cause more than once during any six-month period.

(c) For purposes of this Agreement, the term “Good Reason” shall mean any of the following actions, without Executive’s express prior written approval:

(i) with respect to any fiscal year, material reduction in the aggregate value of Executive’s Base Salary, Target Bonus opportunity and annual equity awards (assuming target performance) as compared to the aggregate value of such amounts for the 2020 fiscal year;

(ii) subject to the terms and conditions of the applicable plan(s), any failure by PAE to continue to provide retirement, fringe and welfare benefits to Executive that are substantially similar in the aggregate to those afforded to senior management employees of PAE;

(iii) any material adverse change in Executive’s duties or responsibilities;

(iv) any relocation of Executive’s principal place of business of 50 miles or more, provided that such relocation also increases Executive’s commute by at least 25 miles;

(v) any delivery to Executive by PAE of a Notice of Non-Renewal; or

(vi) any failure to pay Executive’s Base Salary and other amounts earned by Executive within ten days after the date such compensation is due.

(d) Executive must provide written notice to PAE pursuant to Section 6.05 of this Agreement of Executive’s intent to resign for Good Reason within 45 days of the occurrence of an event described in Section 4.02(c) above (each, a “Good Reason Event”) in order for Executive’s resignation for Good Reason to be effective hereunder. Upon receipt of

such notice, PAE shall have 30 days (60 days in the case of the Good Reason Event described in Section 4.02(c)(v) above) (the applicable period, the “Good Reason Cure Period”) to rectify the Good Reason Event. If PAE fails to rectify the Good Reason Event prior to the expiration of the Good Reason Cure Period, then Executive may terminate employment within 10 days following the expiration of the Good Reason Cure Period and such termination will be considered for Good Reason and, in the event Executive’s termination is in respect of the Good Reason Event described in Section 4.02(c)(v) above, such termination will be considered for Good Reason for all purposes of this Agreement notwithstanding the earlier expiration of the term of Executive’s employment under this Agreement.

SECTION 4.03 Termination by PAE Other Than for Cause, Disability or Death; Termination by Executive for Good Reason. If PAE elects to terminate Executive’s employment for any reason other than Cause, Disability (as defined below) or death or if Executive terminates Executive’s employment with PAE for Good Reason, Executive shall be entitled to the Accrued Rights and, provided that Executive has provided a general release in favor of PAE and its subsidiaries and affiliates, and their respective directors, officers, employees, agents and representatives in form and substance reasonably acceptable to PAE (the “Release”) and the Release has become effective and irrevocable prior to the 60th day after such termination of employment, Executive shall be entitled to the following:

Cash Payments. (a)(i) PAE shall pay to Executive an amount equal to one times the sum of Executive’s then-current Base Salary and “Average Bonus” (as defined below), payable in equal installments through the date that is 12 months after the date of Executive’s termination of employment (the “Severance Period”) at the same times at which and in the same manner in which Executive’s Base Salary would have been payable to Executive had a termination of employment not occurred (but no less frequently than monthly) and (ii) PAE shall provide to Executive, during the fiscal year following the fiscal year in which Executive’s termination of employment occurs, no later than March 15, an Annual Bonus for the fiscal year in which the termination occurs equal to the Annual Bonus that Executive would have received if his employment had not terminated prior to the end of the fiscal year (e.g., after determining whether applicable performance goals have been achieved determined on a basis consistent with past practice), pro-rated based on a fraction, the numerator of which shall equal the number of days Executive was employed by PAE in the fiscal year in which Executive’s termination occurs and the denominator of which shall equal 365 (the “Pro-Rata Bonus”); provided, however, that, in the case of clause (i), PAE shall (x) commence such payments on the 60th day after termination of Executive’s employment, except that any payments that would have otherwise been paid to Executive following the date of the termination of employment and prior to such 60th day shall be accumulated and paid to Executive in a lump sum on such 60th day, and (y) not continue such payments at any time following either (A) breach of the provisions of Section 5.03 or 5.04 or (B) breach of the provisions of Article V (other than Section 5.03 or 5.04) that (X) is materially damaging to the business or reputation of PAE or any of its affiliates or (Y) occurs after PAE has notified Executive of a prior breach of such Article V (other than Section 5.03 or 5.04). For purposes of this Agreement, “Average Bonus” means the average of all Annual Bonuses paid or payable to Executive in respect of the three fiscal years ended prior to the fiscal year in which the employment of Executive is terminated (or, if Executive was not employed by

PAE during each of such fiscal years, such lesser number of fiscal years during which Executive was so employed); provided that for purposes of calculating “Average Bonus”, (i) any pro-rated Annual Bonus awarded to Executive for a fiscal year in which Executive was employed for less than the full fiscal year shall be annualized and (ii) the Annual Bonus for the last of the three fiscal years utilized in this calculation shall be disregarded (and Executive shall be treated as if he were not employed during such fiscal year) if the Annual Bonus for that year (A) has not been paid because Executive was terminated prior to the scheduled date for payment of such Annual Bonus or (B) was paid based on an adverse change to Executive’s Target Annual Bonus.

(b) Medical, Dental and Life Insurance Benefit Continuation. During the Severance Period, Executive and Executive’s spouse and dependents (each as defined under the applicable program) shall receive the following benefits if the Executive timely and properly elects continued benefits coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”): (x) medical and dental insurance coverage at the same benefit levels as provided to active senior management employees of PAE, for which PAE will reimburse Executive during the Severance Period, for the total amount of the monthly medical and dental insurance premiums payable by Executive for continued benefits coverage pursuant to COBRA in excess of the cost Executive paid for such coverage (on a monthly premium basis) immediately prior to such termination of employment; provided, however, that if, during the Severance Period, Executive becomes employed by a new employer that provides medical and dental coverage, PAE’s continuing medical and dental coverage (and any cash payments in lieu thereof) shall become secondary to such new employer’s coverage with respect to claims covered by such new employer’s medical and dental plans; and (y) a monthly cash payment grossed up for taxes to permit Executive to purchase life insurance coverage at the same benefit level as currently provided to active senior management employees of PAE and at the same cost to Executive as is generally provided to active senior management employees of PAE. Notwithstanding any provision of this Agreement to the contrary, to the extent necessary to satisfy Section 105(h) of the Internal Revenue Code of 1986, as amended (the “Code”), or if PAE determines it is necessary to avoid the imposition of an excise tax on PAE, PAE will be permitted to alter the manner in which medical and dental benefits are provided to Executive following termination of Executive’s employment; provided that the after-tax cost to Executive of such benefits shall not be greater than the cost applicable to similarly situated executives of PAE who have not terminated employment.

(c) Outplacement. Executive shall receive reasonable outplacement services to be provided by a provider selected by Executive during the Severance Period, the cost of which shall be borne by PAE; provided, however, that, notwithstanding the foregoing, Executive shall commence using such services within 12 months of Executive’s termination of employment, such outplacement services shall end not later than the last day of the second calendar year that begins after the date of termination of Executive’s employment and PAE shall pay any amounts in respect of such outplacement services not later than the last day of the third calendar year that begins after such date of termination.

(d) Release. For the avoidance of doubt, (x) the Release shall not require Executive to release any rights to post-termination payments or benefits afforded to him by this

Agreement, or any vested benefits or rights pursuant to the terms of PAE's or its affiliates' benefit plans or programs, and (y) if the Release does not become effective and irrevocable within 60 days following the date of Executive's termination of employment pursuant to this Section 4.03(d), PAE shall not be obligated to make any payments or provide any benefits under Section 4.03(a), (b) or (c) above and Executive shall only be entitled to the Accrued Rights.

SECTION 4.04 Termination for Disability or Death. Executive's employment shall terminate automatically upon Executive's death. PAE may terminate Executive's employment upon the occurrence of Executive's Disability. In the event of Executive's termination due to death or Disability, Executive, or Executive's estate, as the case may be, shall be entitled to receive the Accrued Rights, and the Pro-Rata Bonus during the calendar year following the calendar year in which Executive's termination of employment occurs. For purposes of this Agreement, the term "Disability" shall mean (a) the inability of Executive, due to illness, accident or any other physical or mental incapacity, to perform Executive's duties in a normal manner for a period of 180 days (whether or not consecutive) in any twelve-month period during the term of Executive's employment under this Agreement or (b) Executive being accepted for long-term disability benefits under any long-term disability plan in which he is then participating. The Committee shall determine, according to the facts then available, whether and when the Disability of Executive has occurred. Such determination shall not be arbitrary or unreasonable and the Committee will take into consideration the expert medical opinion of a physician chosen by PAE, after such physician has completed an examination of Executive. Executive agrees to make himself available for such examination upon the reasonable request of PAE.

ARTICLE V

Executive Covenants

SECTION 5.01. PAE Interests. Executive acknowledges that PAE has expended substantial amounts of time, money and effort to develop business strategies, customer relationships, employee relationships, trade secrets and goodwill and to build an effective organization, and that PAE has a legitimate business interest and right in protecting those assets as well as any similar assets that PAE may develop or obtain. Executive acknowledges that PAE is entitled to protect and preserve the going concern value of PAE and its business and trade secrets to the extent permitted by law. Executive acknowledges that PAE's business is worldwide in nature and international in scope. Executive acknowledges and agrees that the restrictions imposed upon Executive under this Agreement are reasonable and necessary for the protection of PAE's goodwill, confidential information, trade secrets and customer relationships, and that the restrictions set forth in this Agreement will not prevent Executive from earning a livelihood without violating any provision of this Agreement.

SECTION 5.02. Consideration to Executive. In consideration of PAE's entering into this Agreement and PAE's obligations hereunder and other good and valuable consideration, the receipt of which is hereby acknowledged, and acknowledging hereby that PAE would not have entered into this Agreement without the covenants contained in this Article V, Executive hereby agrees to be bound by the provisions and covenants contained in this Article V.

SECTION 5.03. Non-Solicitation. Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's termination of employment with PAE for any reason, Executive shall not, and shall cause each of Executive's affiliates (other than PAE) not to, directly or indirectly: (a) solicit any person or entity that is or was a customer (or prospective customer) of PAE to (i) purchase any goods or services related to any Competitive Business (as defined below) that are of the type sold by PAE, from anyone other than PAE or (ii) reduce its volume of goods or services purchased from PAE, (b) interfere with, or attempt to interfere with, business relationships (whether formed before, on or after the Effective Date) between PAE and suppliers, partners, members or investors of PAE, (c) other than on behalf of PAE, solicit, recruit or hire any employee or consultant of PAE or any person who has, at any time within two years prior to such solicitation, recruitment or hiring, worked for or provided services to PAE, (d) solicit or encourage any employee or consultant of PAE to leave the employment of, or to cease providing services to, PAE or (e) assist any person or entity in any way to do, or attempt to do, anything prohibited by this Section 5.03.

SECTION 5.04 Non-Competition. (a) Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's termination of employment with PAE for any reason, Executive shall not (i) directly or indirectly, be employed by (as an employee or independent contractor) or serve on the board of or in an executive role for any Competitive Business or (ii) otherwise assist or engage in any Competitive Business where such assistance or engagement is substantially detrimental to the business reputation of PAE.

(b) The term "Competitive Business" shall mean (A) any business or entity that engages in business of the type conducted by PAE within PAE's industry sector during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE, except for any business or entity that, under the regulations of the Small Business Administration in Part 121 of Title 13 of the Code of Federal Regulations, is determined to be a small business concern; (B) any business that is a contractor or subcontractor under any government contract under which PAE is a contractor or subcontractor during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE; or (C) any entity that is, during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment with PAE, as of the date of Executive's termination of employment with PAE, competing for any government contract (including any re-compete or follow-on procurement) on which PAE has bid or plans to bid during Executive's employment, or with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment or within six months following the date of Executive's termination of employment.

SECTION 5.05. Confidential Information. Executive hereby acknowledges that (a) in the performance of Executive's duties and services pursuant to this Agreement, Executive has received, and may be given access to, Confidential Information and (b) all Confidential Information is or will be the property of PAE. For purposes of this Agreement,

“Confidential Information” shall mean information, knowledge and data that is or will be used, developed, obtained or owned by PAE relating to the business, products and/or services of PAE or the business, products and/or services of any customer, sales officer, sales associate or independent contractor thereof, including products, services, fees, pricing, designs, marketing plans, strategies, analyses, forecasts, formulas, drawings, photographs, reports, records, computer software (whether or not owned by, or designed for, PAE), other operating systems, applications, program listings, flow charts, manuals, documentation, data, databases, specifications, technology, inventions, new developments and methods, improvements, techniques, trade secrets, devices, products, methods, know-how, processes, financial data, customer lists, contact persons, cost information, executive information, regulatory matters, personnel matters, accounting and business methods, copyrightable works and information with respect to any vendor, customer, sales officer, sales associate or independent contractor of PAE, in each case whether patentable or unpatentable and whether or not reduced to practice, and all similar and related information in whatever form, and all such items of any vendor, customer, sales officer, sales associate or independent contractor of PAE; provided, however, that Confidential Information shall not include information that is generally known to the public other than as a result of disclosure by Executive in breach of this Agreement or in breach of any similar covenant made by Executive prior to entering into this Agreement.

SECTION 5.06. Non-Disclosure. (a) Except as otherwise specifically provided in Section 5.07, Executive will not, directly or indirectly, disclose or cause or permit to be disclosed, to any person or entity whatsoever, or utilize or cause or permit to be utilized, by any person or to any entity whatsoever, any Confidential Information acquired pursuant to Executive’s employment with PAE (whether acquired prior to or subsequent to the execution of this Agreement) under this Agreement or otherwise.

(b) Executive will not disclose to anyone, other than Executive’s immediate family and legal or financial advisors, the existence or contents of this Agreement, except to the extent permitted in Section 5.07 or to comply with Section 5.12, and, to the extent such information is disclosed to Executive’s immediate family or legal or financial advisors, will instruct those parties to comply with the non-disclosure requirements of this Section 5.06.

SECTION 5.07. Permitted Disclosure. Nothing in this Agreement shall prohibit or restrict Executive from initiating communications directly with, responding to any inquiry from, providing testimony before, providing Confidential Information to, reporting possible violations of law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the Equal Employment Opportunity Commission (“EEOC”), the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General or any other federal, state or local regulatory authority (collectively, the “Regulators”), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation; provided, however, that Executive may not disclose information that is protected by the attorney-client privilege, except as expressly authorized by law. In addition, this Agreement does not prohibit Executive or PAE from disclosing Confidential Information or truthful testimony in any of the following

circumstances: (a) where disclosure is required by a court order or subpoena; (b) where disclosure is necessary in the course of a lawsuit or legal proceeding regarding this Agreement (provided appropriate measures are taken to protect such Confidential Information in any public filing); (c) when necessary to file a charge or complaint with a governmental agency such as the EEOC; or (d) when necessary to participate, cooperate, or testify in any investigation or proceeding that is conducted under the Sarbanes-Oxley Act or before a legislative body or other governmental agency. In the event Executive discloses or reasonably believes he may have to disclose Confidential Information under the circumstances of subsections (a) or (b) hereof, Executive agrees to promptly notify PAE of the substance and circumstances of the disclosure (unless prohibited by law) so that PAE can take timely action to protect its interests. Executive does not need the prior authorization of PAE to make any reports or disclosures under the circumstances of subsections (c) or (d) hereof, nor is he required to notify PAE that he has made such reports or disclosures. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose trade secrets to their attorneys, courts, or government officials in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

SECTION 5.08 Assignment of Inventions; Further Assurances. All rights to discoveries, inventions, improvements and innovations (including all data and records pertaining thereto) related to the business of PAE or its current or former affiliates, whether or not patentable, copyrightable, registrable as a trademark, or reduced to writing, that Executive may discover, invent or originate during the term of Executive's service to PAE or its affiliates (whether before, on or after the Effective Date), either alone or with others and whether or not during working hours or by the use of the facilities of PAE ("Inventions"), shall be the exclusive property of PAE or its designee. Executive shall promptly disclose all Inventions to PAE. Executive shall take all requested actions and execute all requested documents to assist PAE, or its designee, at PAE's expense, in every way to secure PAE's or its designee's above rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, and to pursue any patents or registrations with respect thereto. This covenant shall survive the termination of this Agreement. If PAE or its designee is unable for any other reason to secure Executive's signature on any document for this purpose, then Executive hereby irrevocably designates and appoints PAE or its designee and their duly authorized officers and agents, as the case may be, as Executive's agent and attorney-in-fact, to act for and in Executive's behalf and stead to execute any documents and to do all other lawfully permitted acts in connection with the foregoing.

SECTION 5.09 Records. All memoranda, books, records, documents, papers, plans, information, letters and other data relating to Confidential Information or the business and customer accounts of PAE, whether prepared by Executive or otherwise, coming into Executive's possession shall be and remain the exclusive property of PAE and Executive shall not, during the term of Executive's employment with PAE or thereafter, directly or indirectly assert any interest or property rights therein. Upon termination of employment with PAE for any reason, (a) Executive will immediately return to PAE all such memoranda, books,

records, documents, papers, plans, information, letters and other data, and all copies thereof or therefrom, and Executive will not retain, or cause or permit to be retained, any copies or other embodiments of the materials so returned and (b) Executive will delete all documents, materials, and information (and copies thereof) of PAE from all of Executive's personal electronic devices (e.g., laptop, iPad, telephone, thumb drives, etc.). Executive further agrees that he will not retain or use for Executive's account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of PAE.

SECTION 5.10 Non-Disparagement Executive has not prior to the Effective Date, whether in writing or orally, criticized or disparaged PAE, nor shall Executive during the period commencing on the Effective Date and terminating five years after the date of Executive's termination of employment with PAE for any reason (the "Non-Disparagement Period"), unless in the context of litigation between PAE and Executive or under penalty of perjury or otherwise permitted pursuant to Section 5.07, whether in writing or orally, criticize or disparage PAE or any of its respective current or former affiliates, directors, officers, employees, members, partners, agents or representatives. PAE shall instruct the PAE Parties (as defined below) not to, whether in writing or orally, criticize or disparage Executive during the Non-Disparagement Period, unless in the context of litigation between PAE and Executive or under penalty of perjury. For purposes of this Agreement, the term "PAE Parties" shall mean the executive officers and designated spokespersons of PAE Incorporated, acting in their capacity as representatives of PAE.

SECTION 5.11 Specific Performance. Executive agrees that any breach by Executive of any of the provisions of this Article V shall cause irreparable harm to PAE that could not be made whole by monetary damages and that, in the event of such a breach, Executive shall waive the defense in any action for specific performance that a remedy at law would be adequate, and PAE shall be entitled to specifically enforce the terms and provisions of this Article V without the necessity of proving actual damages or posting any bond or providing prior notice, in addition to any other remedy to which PAE may be entitled at law or in equity.

SECTION 5.12 Notification of Subsequent Employer. Prior to accepting employment with any other person or entity during any period during which Executive remains subject to any of the covenants set forth in Section 5.03 or Section 5.04, Executive shall provide such prospective employer with written notice of such provisions of this Agreement, with a copy of such notice delivered simultaneously to PAE in accordance with Section 6.05.

ARTICLE VI

Miscellaneous

SECTION 6.01 Assignment. This Agreement shall not be assignable by Executive. The parties agree that any attempt by Executive to delegate Executive's duties hereunder shall be null and void. This Agreement may be assigned by PAE to a person or entity that is an affiliate or a successor in interest to substantially all the business operations of PAE. Upon such assignment, the rights and obligations of PAE hereunder shall become the rights and obligations of such affiliate or successor person or entity. As used in this Agreement, the term

“PAE” shall mean PAE as hereinbefore defined in the recital to this Agreement and any permitted assignee to which this Agreement is assigned.

SECTION 6.02 Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of PAE and the personal or legal representatives, executors, administrators, successors, distributees, devisees and legatees of Executive. Executive acknowledges and agrees that all Executive’s covenants and obligations to PAE, as well as the rights of PAE under this Agreement, shall run in favor of and will be enforceable by PAE, its subsidiaries and its successors and permitted assigns.

SECTION 6.03 Entire Agreement This Agreement constitutes the entire agreement and understanding of the parties and with respect to the transactions contemplated hereby and subject matter hereof and supersedes and replaces any and all prior agreements, understandings, statements, representations and warranties, written or oral, express or implied and/or whenever and howsoever made, directly or indirectly relating to the subject matter hereof. Notwithstanding the above, Executive’s covenants set forth in Article V shall operate independently of, and shall be in addition to, any similar covenants to which Executive is subject pursuant to any other agreement with PAE or any of PAE’s affiliates.

SECTION 6.04 Amendment: Except as provided in Section 6.14(d) hereof, this Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

SECTION 6.05 Notice All documents, notices, requests, demands and other communications that are required or permitted to be delivered or given under this Agreement shall be in writing and shall be deemed to have been duly delivered or given when received.

If to PAE: PAE Incorporated
7799 Leesburg Pike, Suite 300 North
Falls Church, VA 22043
Attention: Whit Cobb
E-mail: whit.cobb@pae.com

If to Executive: Chico Moline
16829 Michelson Drive Purcellville, VA 20132
Telephone: (703) 587-6317
E-mail: chicomoline@gmail.com

Each of the parties may change the address to which notices under this Agreement shall be sent by providing written notice to the other in the manner specified above.

SECTION 6.06 Governing Law and Jurisdiction. (a) This Agreement and any disputes arising under or related hereto (whether for breach of contract, tortious conduct or

otherwise) shall be governed and construed in accordance with the laws of the State of New York, without reference to its conflicts of law principles. Each party irrevocably agrees that any legal action, suit or proceeding against them arising out of or in connection with this Agreement or the transactions contemplated by this Agreement or disputes relating hereto (whether for breach of contract, tortious conduct or otherwise) shall be brought exclusively in the United States District Court for the Eastern District of Virginia, or, if such court does not have subject matter jurisdiction, the state courts of Virginia located in Arlington County and hereby irrevocably accepts and submits to the exclusive jurisdiction and venue of the aforesaid courts in personam, with respect to any such action, suit or proceeding.

(b) Each party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 6.06(b).

(c) Each party in any dispute or legal action arising under this Agreement shall be responsible for bearing its own expenses, attorneys' fees and other costs in such dispute or legal action.

SECTION 6.07 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable in any jurisdiction, then such provision, covenant or condition, as to such jurisdiction, shall be modified or restricted to the extent necessary to make such provision valid, binding and enforceable, or, if such provision cannot be modified or restricted, then such provision shall, as to such jurisdiction, be deemed to be excised from this Agreement and any such invalidity, illegality or unenforceability with respect to such provision shall not invalidate or render unenforceable such provision in any other jurisdiction, and the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SECTION 6.08 Survival. The rights and obligations of PAE and Executive under the provisions of this Agreement, including Articles V and VI, shall survive and remain binding and enforceable, notwithstanding any termination of Executive's employment with PAE, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 6.09 Cooperation. Executive shall provide Executive's reasonable cooperation to PAE in connection with any suit, action or proceeding (or any appeal therefrom) that relates to events occurring during Executive's employment with PAE or any of its affiliates other than a suit between Executive, on the one hand, and PAE, on the other hand, provided that PAE shall reimburse Executive for expenses reasonably incurred in connection with such cooperation.

SECTION 6.10 Executive Representation. Executive hereby represents to PAE that the execution and delivery of this Agreement by Executive and PAE and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, or be prevented, interfered with or hindered by, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

SECTION 6.11. No Waiver. The provisions of this Agreement may be waived only in writing signed by the party or parties entitled to the benefit thereof. A waiver or any breach or failure to enforce any provision of this Agreement shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every provision of this Agreement.

SECTION 6.12. Set Off. PAE's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set off, counterclaim or recoupment of amounts owed by Executive to PAE or its affiliates, except as provided in Section 6.14.

SECTION 6.13. Withholding Taxes. PAE may withhold from any amounts payable under this Agreement such Federal, state, local and foreign taxes as may be required to be withheld pursuant to any applicable law or regulation.

SECTION 6.14. Section 409A. (a) It is intended that the provisions of this Agreement comply with Section 409A ("Section 409A") of the Code or an exemption thereunder, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A.

(b) Neither Executive nor any of his creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement or under any other plan, policy, arrangement or agreement of or with PAE or any of its affiliates (this Agreement and such other plans, policies, arrangements and agreements, the "Company Plans") to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Executive or for Executive's benefit under any Company Plan may not be reduced by, or offset against, any amount owing by Executive to PAE or any of its affiliates.

(c) Severance benefits under this Agreement are intended to be exempt from section 409A of the Code under the "short-term deferral" exception, to the maximum extent applicable, and then under the "separation pay" exception, to the maximum extent applicable. If, at the time of Executive's separation from service (within the meaning of Section 409A), (i) Executive shall be a specified employee (within the meaning of Section 409A and using the identification methodology selected by PAE from time to time) and (ii) PAE shall make a good faith determination that an amount payable under a Company Plan constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or

penalties under Section 409A, then PAE (or its affiliate, as applicable) shall not pay such amount on the otherwise scheduled payment date but shall instead accumulate such amount and pay it on the first business day after such six-month period.

(d) Notwithstanding any provision of this Agreement or any other Company Plan to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, PAE reserves the right to make amendments to any Company Plan as PAE deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, Executive is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on Executive or for Executive's account in connection with any Company Plan (including any taxes and penalties under Section 409A), and neither PAE nor any affiliate shall have any obligation to indemnify or otherwise hold Executive harmless from any or all of such taxes or penalties.

(e) For purposes of Section 409A, each payment hereunder will be deemed to be a separate payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Notwithstanding anything herein to the contrary, to the extent required by Section 409A, Executive shall not be entitled to any payments or benefits payable hereunder as a result of Executive's termination of employment with PAE unless such termination of employment qualifies as a "separation from service" within the meaning of Section 409A (and any related regulations or other pronouncements thereunder),

(f) Except as specifically permitted by Section 409A, any benefits and reimbursements provided to Executive under this Agreement during any calendar year shall not affect any benefits and reimbursements to be provided to Executive under this Agreement in any other calendar year, and the right to such benefits and reimbursements cannot be liquidated or exchanged for any other benefit. Furthermore, reimbursement payments shall be made to Executive as soon as practicable following the date that the applicable expense is incurred, but in no event later than the last day of the calendar year following the calendar year in which the underlying expense is incurred.

SECTION 6.15. Section 280G. (a) In the event of a change in ownership or control under Section 280G of the Code, if it shall be determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the aggregate present value of the Payments under the Agreement shall be reduced (but not below zero) to the Reduced Amount (defined below) if and only if the Accounting Firm (described below) determines that the reduction will provide Executive with a greater net after-tax benefit than would no reduction. No reduction shall be made unless the reduction would provide Executive with a greater net after-tax benefit. The determinations under this Section shall be made as follows:

(b) The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Payments under this Agreement

without causing any Payment under this Agreement to be subject to the Excise Tax (defined below), determined in accordance with Section 280G(d)(4) of the Code. The term “Excise Tax” means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(c) Payments under this Agreement shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to Executive. Where more than one payment has the same value for this purpose and they are payable at different times, they will be reduced on a pro rata basis. Only amounts payable under this Agreement shall be reduced pursuant to this Section.

(d) All determinations to be made under this Section shall be made by an independent certified public accounting firm selected by the Company and agreed to by the Executive immediately prior to the change-in-ownership or -control transaction (the “Accounting Firm”). The Accounting Firm shall provide its determinations and any supporting calculations both to the Company and the Executive within ten days of the transaction. Any such determination by the Accounting Firm shall be binding upon the Company and Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section shall be borne solely by the Company.

SECTION 6.16. Company Policies. This Agreement and the compensation payable hereunder shall be subject to any applicable claw back or recoupment policies, share trading policies, and other policies that may be implemented by the Board of Directors of PAE from time to time with respect to officers of the Company.

SECTION 6.17. Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile or PDF), each of which shall be deemed to be an original instrument and all of which together shall constitute a single instrument. If any signature is delivered by facsimile transmission or by PDF, such signature shall create a valid and binding obligation of the party executing (or on whose behalf the signature is executed) with the same force and effect as if such facsimile or PDF signature were an original thereof.

SECTION 6.18. Construction. (a) The headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(b) As used in this Agreement, words such as “herein,” “hereinafter,” “hereby” and “hereunder,” and the words of like import refer to this Agreement, unless the context requires otherwise. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

(c) As used in Articles V and VI, the term “PAE” includes PAE and its subsidiaries and affiliates and their predecessors, successors and assigns.

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

PAE INCORPORATED,

by /s/ Paul W. Cobb, Jr.

Name: Paul W. Cobb, Jr.

Title: Executive Vice President, General Counsel and Secretary

RENE MOLINE,

/s/ Rene Moline

EMPLOYMENT AGREEMENT (this "Agreement") dated as of May 5, 2020 (the "Effective Date"), by and between CHARLES A. ANDERSON ("Executive") and PAE INCORPORATED, a Delaware corporation ("PAE").

WHEREAS, PAE desires to continue to employ Executive, and Executive desires to continue such employment and enter into this Agreement, which sets forth the terms and conditions under which Executive will continue to serve PAE, effective as of the Effective Date.

NOW, THEREFORE, in consideration of the premises and mutual agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE 1

Employment

SECTION 1.01. Term. The term of Executive's employment under this Agreement shall commence on the Effective Date and shall terminate on the second anniversary of the Effective Date (the "Initial Period"); provided that such term of employment shall automatically renew upon the expiration of the Initial Period and on each subsequent anniversary thereof for one year ("Renewal Period"), unless PAE delivers to Executive, or Executive delivers to PAE, written notice ("Notice of Non-Renewal") at least 60 days in advance of the expiration of the Initial Period or any Renewal Period that such term of employment shall not be extended, in which case such term of employment shall end at the end of the Initial Period or Renewal Period in which such notice was delivered and shall not be further extended. Notwithstanding the foregoing, Executive's employment with PAE shall be "at will" and, subject to the provisions of Article IV and the notice requirements set forth above, Executive's employment under this Agreement may be terminated by PAE or Executive at any time and for any reason, with or without prior notice.

SECTION 1.02. Position and Duties. During the term of this Agreement, Executive shall serve as a Business Unit President of PAE, performing duties and having responsibilities customary for a business unit president of similar companies. Executive shall perform such services and duties in accordance with the policies, practices and bylaws of PAE.

SECTION 1.03. Time and Effort. Executive shall serve PAE faithfully, loyally, honestly and to the best of Executive's ability. Executive shall devote all of Executive's business time and best efforts to the performance of Executive's duties on behalf of PAE. During Executive's term of employment, Executive shall not at any time or place or to any extent whatsoever, either directly or indirectly, without the express written consent of the Compensation Committee of the Board of Directors of PAE (the "Committee"), engage in any outside employment or in any activity that, in the reasonable judgment of PAE, is competitive with or adverse to the business, practice or affairs of PAE or any of its affiliates, whether or not such activity is pursued for gain, profit or other pecuniary advantage. Notwithstanding the foregoing, it shall not be a violation of this Agreement for Executive to serve as a director of charitable organizations to the extent such service has been approved by the Committee (such approval not to be unreasonably withheld).

ARTICLE II

Compensation

SECTION 2.01. Base Salary. Each year of Executive's employment under this Agreement, commencing with 2020 and during the entire term of this Agreement, PAE shall, as compensation for the obligations set forth herein and for all services rendered by Executive in any capacity during Executive's employment under this Agreement, including services as an officer, employee, director or member of any governing body, or committee thereof, of PAE or any of its affiliates, pay Executive a base salary ("Base Salary") at the annual rate of \$412,000.00 per year, payable in substantially equal installments in accordance with PAE's standard payroll practices as in effect from time to time. During the first (1st) quarter of each year during the term of Executive's employment under this Agreement, commencing with 2021, the Committee shall review and may, in its discretion, increase Executive's Base Salary, retroactive to January 1 of that year. In the event that sickness or disability payments under any insurance programs of PAE or otherwise shall become payable to Executive in respect of any period of Executive's employment under this Agreement, the salary installment payable to Executive hereunder on the next succeeding salary installment payment date shall be an amount computed by subtracting (a) the amount of such sickness or disability payments that shall have become payable during the period between such date and the immediately preceding salary installment date from (b) the salary installment otherwise payable to Executive hereunder on such date.

SECTION 2.02 Annual Bonus. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the annual incentive compensation plans of PAE, as may be continued or established by the Committee, in its discretion, from time to time (the "Bonus Plan") and shall have the opportunity to earn a performance-based bonus ("Annual Bonus") targeted at 75% of Executive's Base Salary ("Target Bonus") and a maximum bonus opportunity for above-target performance of up to 200% of Executive's Base Salary for the fiscal year to which such Annual Bonus relates. The performance goals and Annual Bonus payable for a given fiscal year under the Bonus Plan shall be determined by the Committee. Except as provided in Article IV, payment of the Annual Bonus will be conditioned upon

Executive's continued employment through the payment date. Any Annual Bonus payable for a fiscal year shall be paid in the following fiscal year, no later than March 15.

SECTION 2.03 Equity Plan. During the term of Executive's employment under this Agreement, Executive shall be eligible to participate in the PAE Incorporated 2020 Equity Incentive Plan, as it may be amended from time to time (the "Equity Plan"). Executive shall receive grants under the Equity Plan consistent with Executive's position and duties as determined by the Committee. Any equity awards granted to Executive shall be subject to the terms and conditions set forth in the Equity Plan and the applicable grant agreement.

ARTICLE III

Executive Benefits

SECTION 3.01 Benefit Plans During the term of Executive's employment under this Agreement, Executive shall be entitled to participate in any benefit plans (excluding severance, bonus, equity, incentive or profit-sharing plans) offered by PAE as in effect from time to time (collectively, "Benefit Plans") on the same basis as that generally made available to other employees of PAE to the extent Executive may be eligible to do so under the terms of any such Benefit Plan. Executive understands that any such Benefit Plans may be terminated or amended from time to time by PAE in its discretion. Notwithstanding the first sentence of this Section 3.01, nothing shall preclude Executive from participating during the term of Executive's employment under this Agreement in any present or future bonus, equity, incentive or profit-sharing plan or other plan of PAE for the benefit of its employees, in each case as and to the extent approved or determined by the Committee in its discretion and subject to the other terms of this Agreement.

SECTION 3.02 Business Expenses. PAE will reimburse Executive for all reasonably incurred business expenses, subject to the travel and expense policy established by PAE from time to time, incurred by Executive during the term of Executive's employment under this Agreement in the performance of Executive's duties hereunder; provided that Executive furnishes to PAE adequate records and other documentary evidence required to substantiate such expenditures.

SECTION 3.03 Vacation. During the term of Executive's employment under this Agreement, Executive shall receive paid vacation days in the amount accrued and taken in accordance with PAE's vacation policy based on Executive's tenure with the Company.

ARTICLE IV

Termination

SECTION 4.01 Exclusive Rights. The amounts payable under this Article IV are intended to be, and are, exclusive and in lieu of any other rights or remedies to which Executive may otherwise be entitled, including under common, tort or contract law, under

policies of PAE and its affiliates in effect from time to time, under this Agreement or otherwise, in the event of Executive's termination of employment with PAE and its affiliates.

SECTION 4.02 Termination by PAE for Cause; Termination by Executive without Good Reason. (a) If PAE terminates Executive for Cause or if Executive elects to terminate Executive's employment with PAE without Good Reason, Executive shall be entitled to receive (i) Base Salary earned through the date of termination that remains unpaid as of the date of Executive's termination, (ii) any Annual Bonus for any previously completed bonus period that has been earned and remains unpaid as of the date of Executive's termination, (iii) reimbursement for any unreimbursed business expenses properly incurred by Executive prior to the date of Executive's termination to the extent such expenses are reimbursable under Section 3.02 and (iv) such benefits (excluding benefits under any severance plan, program or policy then in effect), if any, to which Executive may be entitled under the Benefit Plans as of the date of Executive's termination, which benefits shall be payable in accordance with the terms of such Benefits Plans (the amounts described in clauses (i) through (iv) of this Section 4.02(a) being referred to herein as the "Accrued Rights").

(b) For purposes of this Agreement, the term "Cause" shall mean Executive's:

(i) intentional failure to perform reasonably assigned duties;

(ii) personal dishonesty or willful misconduct in the performance of duties, which causes or threatens to cause material injury to PAE or any of its affiliates;

(iii) breach of fiduciary duties owed by Executive to PAE or any of its affiliates resulting in personal profit to Executive;

(iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses);

(v) material failure to comply with PAE's code of conduct or employment policies; or

(vi) any act by Executive involving (a) fraud, (b) any breach by Executive of applicable regulations of competent authorities in relation to trading or dealing with stocks, securities, or investments or (c) any willful or grossly negligent act by the Executive resulting in an investigation by the Securities and Exchange Commission, which, in each of cases (a), (b) and (c) above, the Committee determines in its reasonable and good faith discretion materially adversely affects PAE or any of its affiliates or Executive's ability to perform his duties hereunder.

For purposes of this definition, an act, or failure to act, on Executive's part shall be deemed "willful" if done, or omitted to be done, by Executive intentionally, in bad faith and without reasonable belief that the action or omission was in the best interest of PAE. If PAE desires to terminate Executive's employment for Cause

in the case of clauses (i), (ii), (iii), (v) or (vi) of Section 4.02(b) and the basis for Cause, by its nature, is capable of being cured, PAE shall first provide Executive with written notice of the applicable event that constitutes the basis for Cause (a “Cause Notice”) within ten days of the Committee becoming aware of such event. Such notice shall specifically identify such claimed breach or other conduct. Executive shall have 15 days following receipt of such Cause Notice (the “Cause Cure Period”) to cure such basis for Cause, and PAE shall be entitled at the end of such Cause Cure Period to terminate Executive’s employment under this Agreement for Cause; provided, however, that, if such breach is cured within the Cause Cure Period or if PAE does not terminate Executive’s employment with PAE within ten days after the end of the Cause Cure Period, PAE shall not be entitled to terminate Executive’s employment for Cause based on the event described in the Cause Notice; and provided further that notwithstanding the foregoing, Executive will not be entitled to the opportunity to cure a particular basis for Cause more than once during any six-month period.

(c) For purposes of this Agreement, the term “Good Reason” shall mean any of the following actions, without Executive’s express prior written approval:

(i) with respect to any fiscal year, material reduction in the aggregate value of Executive’s Base Salary, Target Bonus opportunity and annual equity awards (assuming target performance) as compared to the aggregate value of such amounts for the 2020 fiscal year;

(ii) subject to the terms and conditions of the applicable plan(s), any failure by PAE to continue to provide retirement, fringe and welfare benefits to Executive that are substantially similar in the aggregate to those afforded to senior management employees of PAE;

(iii) any material adverse change in Executive’s duties or responsibilities;

(iv) any relocation of Executive’s principal place of business of 50 miles or more, provided that such relocation also increases Executive’s commute by at least 25 miles;

(v) any delivery to Executive by PAE of a Notice of Non-Renewal; or

(vi) any failure to pay Executive’s Base Salary and other amounts earned by Executive within ten days after the date such compensation is due.

(d) Executive must provide written notice to PAE pursuant to Section 6.05 of this Agreement of Executive’s intent to resign for Good Reason within 45 days of the occurrence of an event described in Section 4.02(c) above (each, a “Good Reason Event”) in order for Executive’s resignation for Good Reason to be effective hereunder. Upon receipt of

such notice, PAE shall have 30 days (60 days in the case of the Good Reason Event described in Section 4.02(c)(v) above) (the applicable period, the “Good Reason Cure Period”) to rectify the Good Reason Event. If PAE fails to rectify the Good Reason Event prior to the expiration of the Good Reason Cure Period, then Executive may terminate employment within 10 days following the expiration of the Good Reason Cure Period and such termination will be considered for Good Reason and, in the event Executive’s termination is in respect of the Good Reason Event described in Section 4.02(c)(v) above, such termination will be considered for Good Reason for all purposes of this Agreement notwithstanding the earlier expiration of the term of Executive’s employment under this Agreement.

SECTION 4.03 Termination by PAE Other Than for Cause, Disability or Death; Termination by Executive for Good Reason. If PAE elects to terminate Executive’s employment for any reason other than Cause, Disability (as defined below) or death or if Executive terminates Executive’s employment with PAE for Good Reason, Executive shall be entitled to the Accrued Rights and, provided that Executive has provided a general release in favor of PAE and its subsidiaries and affiliates, and their respective directors, officers, employees, agents and representatives in form and substance reasonably acceptable to PAE (the “Release”) and the Release has become effective and irrevocable prior to the 60th day after such termination of employment, Executive shall be entitled to the following:

Cash Payments. (a)(i) PAE shall pay to Executive an amount equal to one times the sum of Executive’s then-current Base Salary and “Average Bonus” (as defined below), payable in equal installments through the date that is 12 months after the date of Executive’s termination of employment (the “Severance Period”) at the same times at which and in the same manner in which Executive’s Base Salary would have been payable to Executive had a termination of employment not occurred (but no less frequently than monthly) and (ii) PAE shall provide to Executive, during the fiscal year following the fiscal year in which Executive’s termination of employment occurs, no later than March 15, an Annual Bonus for the fiscal year in which the termination occurs equal to the Annual Bonus that Executive would have received if his employment had not terminated prior to the end of the fiscal year (e.g., after determining whether applicable performance goals have been achieved determined on a basis consistent with past practice), pro-rated based on a fraction, the numerator of which shall equal the number of days Executive was employed by PAE in the fiscal year in which Executive’s termination occurs and the denominator of which shall equal 365 (the “Pro-Rata Bonus”); provided, however, that, in the case of clause (i), PAE shall (x) commence such payments on the 60th day after termination of Executive’s employment, except that any payments that would have otherwise been paid to Executive following the date of the termination of employment and prior to such 60th day shall be accumulated and paid to Executive in a lump sum on such 60th day, and (y) not continue such payments at any time following either (A) breach of the provisions of Section 5.03 or 5.04 or (B) breach of the provisions of Article V (other than Section 5.03 or 5.04) that (X) is materially damaging to the business or reputation of PAE or any of its affiliates or (Y) occurs after PAE has notified Executive of a prior breach of such Article V (other than Section 5.03 or 5.04). For purposes of this Agreement, “Average Bonus” means the average of all Annual Bonuses paid or payable to Executive in respect of the three fiscal years ended prior to the fiscal year in which the employment of Executive is terminated (or, if Executive was not employed by

PAE during each of such fiscal years, such lesser number of fiscal years during which Executive was so employed); provided that for purposes of calculating “Average Bonus”, (i) any pro-rated Annual Bonus awarded to Executive for a fiscal year in which Executive was employed for less than the full fiscal year shall be annualized and (ii) the Annual Bonus for the last of the three fiscal years utilized in this calculation shall be disregarded (and Executive shall be treated as if he were not employed during such fiscal year) if the Annual Bonus for that year (A) has not been paid because Executive was terminated prior to the scheduled date for payment of such Annual Bonus or (B) was paid based on an adverse change to Executive’s Target Annual Bonus.

(b) Medical, Dental and Life Insurance Benefit Continuation. During the Severance Period, Executive and Executive’s spouse and dependents (each as defined under the applicable program) shall receive the following benefits if the Executive timely and properly elects continued benefits coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”): (x) medical and dental insurance coverage at the same benefit levels as provided to active senior management employees of PAE, for which PAE will reimburse Executive during the Severance Period, for the total amount of the monthly medical and dental insurance premiums payable by Executive for continued benefits coverage pursuant to COBRA in excess of the cost Executive paid for such coverage (on a monthly premium basis) immediately prior to such termination of employment; provided, however, that if, during the Severance Period, Executive becomes employed by a new employer that provides medical and dental coverage, PAE’s continuing medical and dental coverage (and any cash payments in lieu thereof) shall become secondary to such new employer’s coverage with respect to claims covered by such new employer’s medical and dental plans; and (y) a monthly cash payment grossed up for taxes to permit Executive to purchase life insurance coverage at the same benefit level as currently provided to active senior management employees of PAE and at the same cost to Executive as is generally provided to active senior management employees of PAE. Notwithstanding any provision of this Agreement to the contrary, to the extent necessary to satisfy Section 105(h) of the Internal Revenue Code of 1986, as amended (the “Code”), or if PAE determines it is necessary to avoid the imposition of an excise tax on PAE, PAE will be permitted to alter the manner in which medical and dental benefits are provided to Executive following termination of Executive’s employment; provided that the after-tax cost to Executive of such benefits shall not be greater than the cost applicable to similarly situated executives of PAE who have not terminated employment.

(c) Outplacement. Executive shall receive reasonable outplacement services to be provided by a provider selected by Executive during the Severance Period, the cost of which shall be borne by PAE; provided, however, that, notwithstanding the foregoing, Executive shall commence using such services within 12 months of Executive’s termination of employment, such outplacement services shall end not later than the last day of the second calendar year that begins after the date of termination of Executive’s employment and PAE shall pay any amounts in respect of such outplacement services not later than the last day of the third calendar year that begins after such date of termination.

(d) Release. For the avoidance of doubt, (x) the Release shall not require Executive to release any rights to post-termination payments or benefits afforded to him by this Agreement, or any vested benefits or rights pursuant to the terms of PAE’s or its affiliates’ benefit plans or programs, and (y) if the Release does not become effective and irrevocable within 60 days following the date of Executive’s termination of employment pursuant to this Section 4.03(d), PAE shall not be

obligated to make any payments or provide any benefits under Section 4.03(a), (b) or (c) above and Executive shall only be entitled to the Accrued Rights.

SECTION 4.04 Termination for Disability or Death. Executive's employment shall terminate automatically upon Executive's death. PAE may terminate Executive's employment upon the occurrence of Executive's Disability. In the event of Executive's termination due to death or Disability, Executive, or Executive's estate, as the case may be, shall be entitled to receive the Accrued Rights, and the Pro-Rata Bonus during the calendar year following the calendar year in which Executive's termination of employment occurs. For purposes of this Agreement, the term "Disability" shall mean (a) the inability of Executive, due to illness, accident or any other physical or mental incapacity, to perform Executive's duties in a normal manner for a period of 180 days (whether or not consecutive) in any twelve-month period during the term of Executive's employment under this Agreement or (b) Executive being accepted for long-term disability benefits under any long-term disability plan in which he is then participating. The Committee shall determine, according to the facts then available, whether and when the Disability of Executive has occurred. Such determination shall not be arbitrary or unreasonable and the Committee will take into consideration the expert medical opinion of a physician chosen by PAE, after such physician has completed an examination of Executive. Executive agrees to make himself available for such examination upon the reasonable request of PAE.

ARTICLE V

Executive Covenants

SECTION 5.01. PAE Interests. Executive acknowledges that PAE has expended substantial amounts of time, money and effort to develop business strategies, customer relationships, employee relationships, trade secrets and goodwill and to build an effective organization, and that PAE has a legitimate business interest and right in protecting those assets as well as any similar assets that PAE may develop or obtain. Executive acknowledges that PAE is entitled to protect and preserve the going concern value of PAE and its business and trade secrets to the extent permitted by law. Executive acknowledges that PAE's business is worldwide in nature and international in scope. Executive acknowledges and agrees that the restrictions imposed upon Executive under this Agreement are reasonable and necessary for the protection of PAE's goodwill, confidential information, trade secrets and customer relationships, and that the restrictions set forth in this Agreement will not prevent Executive from earning a livelihood without violating any provision of this Agreement.

SECTION 5.02. Consideration to Executive. In consideration of PAE's entering into this Agreement and PAE's obligations hereunder and other good and valuable consideration, the receipt of which is hereby acknowledged, and acknowledging hereby that PAE would not have entered into this Agreement without the covenants contained in this Article V, Executive hereby agrees to be bound by the provisions and covenants contained in this Article V.

SECTION 5.03. Non-Solicitation. Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's

termination of employment with PAE for any reason, Executive shall not, and shall cause each of Executive's affiliates (other than PAE) not to, directly or indirectly: (a) solicit any person or entity that is or was a customer (or prospective customer) of PAE to (i) purchase any goods or services related to any Competitive Business (as defined below) that are of the type sold by PAE, from anyone other than PAE or (ii) reduce its volume of goods or services purchased from PAE, (b) interfere with, or attempt to interfere with, business relationships (whether formed before, on or after the Effective Date) between PAE and suppliers, partners, members or investors of PAE, (c) other than on behalf of PAE, solicit, recruit or hire any employee or consultant of PAE or any person who has, at any time within two years prior to such solicitation, recruitment or hiring, worked for or provided services to PAE, (d) solicit or encourage any employee or consultant of PAE to leave the employment of, or to cease providing services to, PAE or (e) assist any person or entity in any way to do, or attempt to do, anything prohibited by this Section 5.03.

SECTION 5.04 Non-Competition. (a) Executive agrees that, for the period commencing on the Effective Date and terminating 12 months after the date of Executive's termination of employment with PAE for any reason, Executive shall not (i) directly or indirectly, be employed by (as an employee or independent contractor) or serve on the board of or in an executive role for any Competitive Business or (ii) otherwise assist or engage in any Competitive Business where such assistance or engagement is substantially detrimental to the business reputation of PAE.

(b) The term "Competitive Business" shall mean (A) any business or entity that engages in business of the type conducted by PAE within PAE's industry sector during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE, except for any business or entity that, under the regulations of the Small Business Administration in Part 121 of Title 13 of the Code of Federal Regulations, is determined to be a small business concern; (B) any business that is a contractor or subcontractor under any government contract under which PAE is a contractor or subcontractor during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment with PAE; or (C) any entity that is, during Executive's employment, or, with respect to the 12-month period after the date of Executive's termination of employment with PAE, as of the date of Executive's termination of employment with PAE, competing for any government contract (including any re-compete or follow-on procurement) on which PAE has bid or plans to bid during Executive's employment, or with respect to the 12-month period after the date of Executive's termination of employment, as of the date of Executive's termination of employment or within six months following the date of Executive's termination of employment.

SECTION 5.05. Confidential Information. Executive hereby acknowledges that (a) in the performance of Executive's duties and services pursuant to this Agreement, Executive has received, and may be given access to, Confidential Information and (b) all Confidential Information is or will be the property of PAE. For purposes of this Agreement, "Confidential Information" shall mean information, knowledge and data that is or will be used, developed, obtained or owned by PAE relating to the business, products and/or services of PAE

or the business, products and/or services of any customer, sales officer, sales associate or independent contractor thereof, including products, services, fees, pricing, designs, marketing plans, strategies, analyses, forecasts, formulas, drawings, photographs, reports, records, computer software (whether or not owned by, or designed for, PAE), other operating systems, applications, program listings, flow charts, manuals, documentation, data, databases, specifications, technology, inventions, new developments and methods, improvements, techniques, trade secrets, devices, products, methods, know-how, processes, financial data, customer lists, contact persons, cost information, executive information, regulatory matters, personnel matters, accounting and business methods, copyrightable works and information with respect to any vendor, customer, sales officer, sales associate or independent contractor of PAE, in each case whether patentable or unpatentable and whether or not reduced to practice, and all similar and related information in whatever form, and all such items of any vendor, customer, sales officer, sales associate or independent contractor of PAE; provided, however, that Confidential Information shall not include information that is generally known to the public other than as a result of disclosure by Executive in breach of this Agreement or in breach of any similar covenant made by Executive prior to entering into this Agreement.

SECTION 5.06. Non-Disclosure. (a) Except as otherwise specifically provided in Section 5.07, Executive will not, directly or indirectly, disclose or cause or permit to be disclosed, to any person or entity whatsoever, or utilize or cause or permit to be utilized, by any person or to any entity whatsoever, any Confidential Information acquired pursuant to Executive's employment with PAE (whether acquired prior to or subsequent to the execution of this Agreement) under this Agreement or otherwise.

(b) Executive will not disclose to anyone, other than Executive's immediate family and legal or financial advisors, the existence or contents of this Agreement, except to the extent permitted in Section 5.07 or to comply with Section 5.12, and, to the extent such information is disclosed to Executive's immediate family or legal or financial advisors, will instruct those parties to comply with the non-disclosure requirements of this Section 5.06.

SECTION 5.07. Permitted Disclosure. Nothing in this Agreement shall prohibit or restrict Executive from initiating communications directly with, responding to any inquiry from, providing testimony before, providing Confidential Information to, reporting possible violations of law or regulation to, or filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the Equal Employment Opportunity Commission ("EEOC"), the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, Congress, any agency Inspector General or any other federal, state or local regulatory authority (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation; provided, however, that Executive may not disclose information that is protected by the attorney-client privilege, except as expressly authorized by law. In addition, this Agreement does not prohibit Executive or PAE from disclosing Confidential Information or truthful testimony in any of the following circumstances: (a) where disclosure is required by a court order or subpoena; (b) where disclosure is necessary in the course of a lawsuit or legal proceeding regarding this Agreement

(provided appropriate measures are taken to protect such Confidential Information in any public filing); (c) when necessary to file a charge or complaint with a governmental agency such as the EEOC; or (d) when necessary to participate, cooperate, or testify in any investigation or proceeding that is conducted under the Sarbanes-Oxley Act or before a legislative body or other governmental agency. In the event Executive discloses or reasonably believes he may have to disclose Confidential Information under the circumstances of subsections (a) or (b) hereof, Executive agrees to promptly notify PAE of the substance and circumstances of the disclosure (unless prohibited by law) so that PAE can take timely action to protect its interests. Executive does not need the prior authorization of PAE to make any reports or disclosures under the circumstances of subsections (c) or (d) hereof, nor is he required to notify PAE that he has made such reports or disclosures. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose trade secrets to their attorneys, courts, or government officials in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

SECTION 5.08 Assignment of Inventions; Further Assurances. All rights to discoveries, inventions, improvements and innovations (including all data and records pertaining thereto) related to the business of PAE or its current or former affiliates, whether or not patentable, copyrightable, registrable as a trademark, or reduced to writing, that Executive may discover, invent or originate during the term of Executive's service to PAE or its affiliates (whether before, on or after the Effective Date), either alone or with others and whether or not during working hours or by the use of the facilities of PAE ("Inventions"), shall be the exclusive property of PAE or its designee. Executive shall promptly disclose all Inventions to PAE. Executive shall take all requested actions and execute all requested documents to assist PAE, or its designee, at PAE's expense, in every way to secure PAE's or its designee's above rights in the Inventions and any copyrights, patents, mask work rights or other intellectual property rights relating thereto in any and all countries, and to pursue any patents or registrations with respect thereto. This covenant shall survive the termination of this Agreement. If PAE or its designee is unable for any other reason to secure Executive's signature on any document for this purpose, then Executive hereby irrevocably designates and appoints PAE or its designee and their duly authorized officers and agents, as the case may be, as Executive's agent and attorney-in-fact, to act for and in Executive's behalf and stead to execute any documents and to do all other lawfully permitted acts in connection with the foregoing.

SECTION 5.09 Records. All memoranda, books, records, documents, papers, plans, information, letters and other data relating to Confidential Information or the business and customer accounts of PAE, whether prepared by Executive or otherwise, coming into Executive's possession shall be and remain the exclusive property of PAE and Executive shall not, during the term of Executive's employment with PAE or thereafter, directly or indirectly assert any interest or property rights therein. Upon termination of employment with PAE for any reason, (a) Executive will immediately return to PAE all such memoranda, books, records, documents, papers, plans, information, letters and other data, and all copies thereof or therefrom, and Executive will not retain, or cause or permit to be retained, any copies or other

embodiments of the materials so returned and (b) Executive will delete all documents, materials, and information (and copies thereof) of PAE from all of Executive's personal electronic devices (e.g., laptop, iPad, telephone, thumb drives, etc.). Executive further agrees that he will not retain or use for Executive's account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of PAE.

SECTION 5.10 Non-Disparagement Executive has not prior to the Effective Date, whether in writing or orally, criticized or disparaged PAE, nor shall Executive during the period commencing on the Effective Date and terminating five years after the date of Executive's termination of employment with PAE for any reason (the "Non-Disparagement Period"), unless in the context of litigation between PAE and Executive or under penalty of perjury or otherwise permitted pursuant to Section 5.07, whether in writing or orally, criticize or disparage PAE or any of its respective current or former affiliates, directors, officers, employees, members, partners, agents or representatives. PAE shall instruct the PAE Parties (as defined below) not to, whether in writing or orally, criticize or disparage Executive during the Non-Disparagement Period, unless in the context of litigation between PAE and Executive or under penalty of perjury. For purposes of this Agreement, the term "PAE Parties" shall mean the executive officers and designated spokespersons of PAE Incorporated, acting in their capacity as representatives of PAE.

SECTION 5.11 Specific Performance. Executive agrees that any breach by Executive of any of the provisions of this Article V shall cause irreparable harm to PAE that could not be made whole by monetary damages and that, in the event of such a breach, Executive shall waive the defense in any action for specific performance that a remedy at law would be adequate, and PAE shall be entitled to specifically enforce the terms and provisions of this Article V without the necessity of proving actual damages or posting any bond or providing prior notice, in addition to any other remedy to which PAE may be entitled at law or in equity.

SECTION 5.12 Notification of Subsequent Employer. Prior to accepting employment with any other person or entity during any period during which Executive remains subject to any of the covenants set forth in Section 5.03 or Section 5.04, Executive shall provide such prospective employer with written notice of such provisions of this Agreement, with a copy of such notice delivered simultaneously to PAE in accordance with Section 6.05.

ARTICLE VI

Miscellaneous

SECTION 6.01 Assignment. This Agreement shall not be assignable by Executive. The parties agree that any attempt by Executive to delegate Executive's duties hereunder shall be null and void. This Agreement may be assigned by PAE to a person or entity that is an affiliate or a successor in interest to substantially all the business operations of PAE. Upon such assignment, the rights and obligations of PAE hereunder shall become the rights and obligations of such affiliate or successor person or entity. As used in this Agreement, the term "PAE" shall mean PAE as hereinbefore defined in the recital to this Agreement and any permitted assignee to which this Agreement is assigned.

SECTION 6.02 Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of PAE and the personal or legal representatives, executors, administrators, successors, distributees, devisees and legatees of Executive. Executive acknowledges and agrees that all Executive's covenants and obligations to PAE, as well as the rights of PAE under this Agreement, shall run in favor of and will be enforceable by PAE, its subsidiaries and its successors and permitted assigns.

SECTION 6.03 Entire Agreement This Agreement constitutes the entire agreement and understanding of the parties and with respect to the transactions contemplated hereby and subject matter hereof and supersedes and replaces any and all prior agreements, understandings, statements, representations and warranties, written or oral, express or implied and/or whenever and howsoever made, directly or indirectly relating to the subject matter hereof. Notwithstanding the above, Executive's covenants set forth in Article V shall operate independently of, and shall be in addition to, any similar covenants to which Executive is subject pursuant to any other agreement with PAE or any of PAE's affiliates.

SECTION 6.04 Amendment: Except as provided in Section 6.14(d) hereof, this Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

SECTION 6.05 Notice All documents, notices, requests, demands and other communications that are required or permitted to be delivered or given under this Agreement shall be in writing and shall be deemed to have been duly delivered or given when received.

If to PAE: PAE Incorporated
7799 Leesburg Pike, Suite 300 North
Falls Church, VA 22043
Attention: Whit Cobb
E-mail: whit.cobb@pae.com

If to Executive: Charles Anderson
5424 Marshglen Court
Colorado Springs, CO 80906
Telephone: (719) 648-4702
E-mail: charlesallananderson@gmail.com

Each of the parties may change the address to which notices under this Agreement shall be sent by providing written notice to the other in the manner specified above.

SECTION 6.06 Governing Law and Jurisdiction. (a) This Agreement and any disputes arising under or related hereto (whether for breach of contract, tortious conduct or otherwise) shall be governed and construed in accordance with the laws of the State of New York, without reference to its conflicts of law principles. Each party irrevocably agrees that any legal action, suit or proceeding against them arising out of or in connection with this Agreement

or the transactions contemplated by this Agreement or disputes relating hereto (whether for breach of contract, tortious conduct or otherwise) shall be brought exclusively in the United States District Court for the Eastern District of Virginia, or, if such court does not have subject matter jurisdiction, the state courts of Virginia located in Arlington County and hereby irrevocably accepts and submits to the exclusive jurisdiction and venue of the aforesaid courts in personam, with respect to any such action, suit or proceeding.

(b) Each party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect to any litigation directly or indirectly arising out of, under or in connection with this Agreement. Each party (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 6.06(b).

(c) Each party in any dispute or legal action arising under this Agreement shall be responsible for bearing its own expenses, attorneys' fees and other costs in such dispute or legal action.

SECTION 6.07 Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable in any jurisdiction, then such provision, covenant or condition, as to such jurisdiction, shall be modified or restricted to the extent necessary to make such provision valid, binding and enforceable, or, if such provision cannot be modified or restricted, then such provision shall, as to such jurisdiction, be deemed to be excised from this Agreement and any such invalidity, illegality or unenforceability with respect to such provision shall not invalidate or render unenforceable such provision in any other jurisdiction, and the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

SECTION 6.08 Survival. The rights and obligations of PAE and Executive under the provisions of this Agreement, including Articles V and VI, shall survive and remain binding and enforceable, notwithstanding any termination of Executive's employment with PAE, to the extent necessary to preserve the intended benefits of such provisions.

SECTION 6.09 Cooperation. Executive shall provide Executive's reasonable cooperation to PAE in connection with any suit, action or proceeding (or any appeal therefrom) that relates to events occurring during Executive's employment with PAE or any of its affiliates other than a suit between Executive, on the one hand, and PAE, on the other hand, provided that PAE shall reimburse Executive for expenses reasonably incurred in connection with such cooperation.

SECTION 6.10 Executive Representation. Executive hereby represents to PAE that the execution and delivery of this Agreement by Executive and PAE and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, or be prevented, interfered with or hindered by, the terms of any

employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

SECTION 6.11. No Waiver. The provisions of this Agreement may be waived only in writing signed by the party or parties entitled to the benefit thereof. A waiver or any breach or failure to enforce any provision of this Agreement shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every provision of this Agreement.

SECTION 6.12. Set Off. PAE's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set off, counterclaim or recoupment of amounts owed by Executive to PAE or its affiliates, except as provided in Section 6.14.

SECTION 6.13. Withholding Taxes. PAE may withhold from any amounts payable under this Agreement such Federal, state, local and foreign taxes as may be required to be withheld pursuant to any applicable law or regulation.

SECTION 6.14. Section 409A. (a) It is intended that the provisions of this Agreement comply with Section 409A ("Section 409A") of the Code or an exemption thereunder, and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A.

(b) Neither Executive nor any of his creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement or under any other plan, policy, arrangement or agreement of or with PAE or any of its affiliates (this Agreement and such other plans, policies, arrangements and agreements, the "Company Plans") to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Executive or for Executive's benefit under any Company Plan may not be reduced by, or offset against, any amount owing by Executive to PAE or any of its affiliates.

(c) Severance benefits under this Agreement are intended to be exempt from section 409A of the Code under the "short-term deferral" exception, to the maximum extent applicable, and then under the "separation pay" exception, to the maximum extent applicable. If, at the time of Executive's separation from service (within the meaning of Section 409A), (i) Executive shall be a specified employee (within the meaning of Section 409A and using the identification methodology selected by PAE from time to time) and (ii) PAE shall make a good faith determination that an amount payable under a Company Plan constitutes deferred compensation (within the meaning of Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then PAE (or its affiliate, as applicable) shall not pay such amount on the otherwise scheduled payment date but shall instead accumulate such amount and pay it on the first business day after such six-month period.

(d) Notwithstanding any provision of this Agreement or any other Company Plan to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, PAE reserves the right to make amendments to any Company Plan as PAE deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, Executive is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on Executive or for Executive's account in connection with any Company Plan (including any taxes and penalties under Section 409A), and neither PAE nor any affiliate shall have any obligation to indemnify or otherwise hold Executive harmless from any or all of such taxes or penalties.

(e) For purposes of Section 409A, each payment hereunder will be deemed to be a separate payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Notwithstanding anything herein to the contrary, to the extent required by Section 409A, Executive shall not be entitled to any payments or benefits payable hereunder as a result of Executive's termination of employment with PAE unless such termination of employment qualifies as a "separation from service" within the meaning of Section 409A (and any related regulations or other pronouncements thereunder),

(f) Except as specifically permitted by Section 409A, any benefits and reimbursements provided to Executive under this Agreement during any calendar year shall not affect any benefits and reimbursements to be provided to Executive under this Agreement in any other calendar year, and the right to such benefits and reimbursements cannot be liquidated or exchanged for any other benefit. Furthermore, reimbursement payments shall be made to Executive as soon as practicable following the date that the applicable expense is incurred, but in no event later than the last day of the calendar year following the calendar year in which the underlying expense is incurred.

SECTION 6.15. Section 280G. (a) In the event of a change in ownership or control under Section 280G of the Code, if it shall be determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, the aggregate present value of the Payments under the Agreement shall be reduced (but not below zero) to the Reduced Amount (defined below) if and only if the Accounting Firm (described below) determines that the reduction will provide Executive with a greater net after-tax benefit than would no reduction. No reduction shall be made unless the reduction would provide Executive with a greater net after-tax benefit. The determinations under this Section shall be made as follows:

(b) The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Payments under this Agreement without causing any Payment under this Agreement to be subject to the Excise Tax (defined below), determined in accordance with Section 280G(d)(4) of the Code. The term "Excise Tax" means the excise tax imposed under Section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax.

(c) Payments under this Agreement shall be reduced on a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to Executive. Where more than one payment has the same value for this purpose and they are payable at different times, they will be reduced on a pro rata basis. Only amounts payable under this Agreement shall be reduced pursuant to this Section.

(d) All determinations to be made under this Section shall be made by an independent certified public accounting firm selected by the Company and agreed to by the Executive immediately prior to the change-in-ownership or -control transaction (the “Accounting Firm”). The Accounting Firm shall provide its determinations and any supporting calculations both to the Company and the Executive within ten days of the transaction. Any such determination by the Accounting Firm shall be binding upon the Company and Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this Section shall be borne solely by the Company.

SECTION 6.16. Company Policies. This Agreement and the compensation payable hereunder shall be subject to any applicable clawback or recoupment policies, share trading policies, and other policies that may be implemented by the Board of Directors of PAE from time to time with respect to officers of the Company.

SECTION 6.17. Counterparts. This Agreement may be executed in any number of counterparts (including by facsimile or PDF), each of which shall be deemed to be an original instrument and all of which together shall constitute a single instrument. If any signature is delivered by facsimile transmission or by PDF, such signature shall create a valid and binding obligation of the party executing (or on whose behalf the signature is executed) with the same force and effect as if such facsimile or PDF signature were an original thereof.

SECTION 6.18. Construction. (a) The headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(b) As used in this Agreement, words such as “herein,” “hereinafter,” “hereby” and “hereunder,” and the words of like import refer to this Agreement, unless the context requires otherwise. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation”.

(c) As used in Articles V and VI, the term “PAE” includes PAE and its subsidiaries and affiliates and their predecessors, successors and assigns.

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IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

PAE INCORPORATED,

by /s/ Paul W. Cobb, Jr.

Name: Paul W. Cobb, Jr.

Title: Executive Vice President, General Counsel and Secretary

CHARLES A. ANDERSON,

/s/ Charles A. Anderson

**PAE INCORPORATED
2020 EQUITY INCENTIVE PLAN**

PERFORMANCE-BASED RESTRICTED STOCK UNIT GRANT NOTICE

Capitalized terms not specifically defined in this Performance-Based Restricted Stock Unit Grant Notice (the “**Grant Notice**”) have the meanings given to them in the 2020 Equity Incentive Plan (as amended from time to time, the “**Plan**”) of PAE Incorporated (the “**Company**”).

The Company has granted to the participant listed below (“**Participant**”) the performance-based Restricted Stock Units described in this Grant Notice (the “**PSUs**”), subject to the terms and conditions of the Plan and the Performance-Based Restricted Stock Unit Agreement attached as **Exhibit A** (the “**Agreement**”), both of which are incorporated into this Grant Notice by reference.

Participant:

Grant Date:

Target Number of PSUs:

The target number of PSUs shall be _____ PSUs (the “**Target Number of PSUs**”), provided that Participant has the opportunity to earn up to _____ PSUs (the “**Maximum Number of PSUs**”) based on achievement of the Performance Goals and the terms and conditions described herein and in the Agreement.

Performance Period

The Performance Period shall be the period beginning [] and ending [].

Performance Criteria:

The Performance Criteria shall be []

Performance Goals

	Threshold	Target	Maximum

Vesting percentages between the points in the table above are determined based on straight line interpolation between the Threshold Goal and the Target Goal and the Target Goal and the Maximum Goal.

Vesting Schedule

Subject to Articles II and III of the Agreement, (a) 50% of the PSUs shall vest (if at all) as of the last day of the Performance Period (the “**Vesting Date**”) based on the level of attainment of [] over the Performance Period and (b) 50% of the PSUs shall vest (if at all) on the Vesting Date based on the level of attainment of [] over the Performance Period, in either case as set forth in the table above and as determined by the Administrator in its sole discretion.

By Participant's signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PAE INCORPORATED

By: _____
Name: _____
Title: _____

PARTICIPANT

[Participant Name]

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

**ARTICLE 1.
GENERAL**

1.1 Award of PSUs and Dividend Equivalents

(a) The Company has granted the PSUs to Participant effective as of the grant date set forth in the Grant Notice (the “**Grant Date**”). Each PSU represents the right to receive one Share, as set forth in this Agreement. Participant will have no right to the distribution of any Shares until the time (if ever) the PSUs have vested.

(b) The Company hereby grants to Participant, with respect to each PSU, a Dividend Equivalent for ordinary cash dividends paid to substantially all holders of outstanding Shares with a record date after the Grant Date and prior to the date the applicable PSU is settled, forfeited or otherwise expires. Each Dividend Equivalent entitles Participant to receive the equivalent value of any such ordinary cash dividends paid on a single Share; provided that, such value may be paid in the form of cash or Shares, as determined by the Company in its discretion. The Company will establish a separate Dividend Equivalent bookkeeping account (a “**Dividend Equivalent Account**”) for each Dividend Equivalent and credit the Dividend Equivalent Account (without interest) on the applicable dividend payment date with the amount of any such cash paid.

1.2 Incorporation of Terms of Plan. The PSUs are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.3 Definitions. Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan. When used in this Agreement or the Grant Notice, the following capitalized terms have the following meanings:

(a) “**Good Reason**” means (i) if Participant is a party to a written employment agreement or offer letter with the Company or any of its Subsidiaries in which the term “good reason” is defined, the meaning set forth in such employment agreement or offer letter, or (ii) if no such employment agreement or offer letter exists, the occurrence of any of the following without Participant’s prior written consent: (1) a material reduction in annual base salary or target annual cash bonus opportunity or (2) a relocation of Participant’s principal place of business of 50 miles or more, provided such relocation also increases Participant’s commute by at least 25 miles; provided however that, in order to constitute Good Reason pursuant to the preceding clauses (i) or (ii), Participant must provide written notice to the Company or its Subsidiary of Participant’s intent to resign for Good Reason within 45 days of the occurrence of the applicable event (each, a “**Good Reason Event**”) in order for Participant’s resignation for Good Reason to be effective hereunder. Upon receipt of such notice, the Company or its Subsidiary shall have 30 days (the “**Good Reason Cure Period**”) to rectify the Good Reason Event. If the Company or its Subsidiary fails to rectify the Good Reason Event prior to the expiration of the Good Reason Cure Period, then Participant may terminate employment within ten days following the expiration of the Good Reason Cure Period and such termination will be considered for Good Reason.

(b) “**Retirement**” means Participant’s Termination of Service other than for Cause after Participant’s attainment of age 65 with at least five consecutive years of service with the Company or its Subsidiaries.

1.4 Unsecured Promise. The PSUs and Dividend Equivalents will at all times prior to settlement represent an unsecured Company obligation payable only from the Company’s general assets.

ARTICLE II. VESTING; FORFEITURE AND SETTLEMENT

2.1 Vesting; Forfeiture.

(a) Vesting. The PSUs will vest according to the vesting schedule in the Grant Notice. As soon as reasonably practicable after the completion of the Performance Period, but no later than 60 days following the completion of the Performance Period, the Administrator shall determine, in its sole discretion, the actual level of attainment of the Performance Goals for the Performance Period. On the basis of the Administrator’s determination, the number of PSUs that are eligible to vest shall be calculated, up to the Maximum Number of PSUs.

(b) Termination of Service. In the event of Participant’s Termination of Service for any reason, all unvested PSUs will immediately and automatically be cancelled and forfeited, except as provided in Section 2.1(c) and Article III or otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company. Dividend Equivalents (including any Dividend Equivalent Account balance) will vest or be forfeited, as applicable, upon the vesting or forfeiture of the PSU with respect to which the Dividend Equivalent (including the Dividend Equivalent Account) relates.

(c) Retirement, Death or Disability. In the event that Participant incurs a Termination of Service on account of Participant’s Retirement, death or Disability, then Participant will earn a pro-rata portion of Participant’s PSUs and Dividend Equivalents, subject to achievement of the Performance Goals for the Performance Period. Such pro-rata portion will be equal to the number of PSUs that would otherwise vest as of the end of the Performance Period, based on achievement of the Performance Goals, multiplied by a fraction, the numerator of which is the number of full calendar days during the Performance Period prior to Participant’s Termination of Service and the denominator of which is the total number of days in the Performance Period. Such pro-rata portion will become vested as of the Vesting Date.

(d) Termination for Cause. Notwithstanding anything to the contrary, any vesting references in this Agreement shall be deemed conditional and remain subject to Participant not being terminated by the Company for Cause at any time. If Participant has a Termination of Service for Cause, whether during or after the Performance Period, the PSUs, whether otherwise vested or unvested, will immediately and automatically be cancelled and forfeited.

2.2 Settlement

(a) The PSUs and Dividend Equivalents (including any Dividend Equivalent Account balance), that vest under Section 2.1(a) or (c), if any, will be paid between January 1, 2023 and March 15, 2023.

(b) If a Dividend Equivalent is paid in Shares, the number of Shares paid with respect to the Dividend Equivalent will equal the quotient, rounded down to the nearest whole Share, of the Dividend Equivalent Account balance divided by the Fair Market Value of a Share on the day immediately preceding the payment date.

ARTICLE III. CHANGE IN CONTROL.

3.1 Change in Control. If a Change in Control occurs during the Performance Period, the PSUs shall be treated as described in this Article III. Notwithstanding anything to the contrary, the Administrator may take such other actions with respect to the PSUs as it deems appropriate pursuant to the Plan.

3.2 Change in Control Amount. In lieu of measuring performance as of the end of the Performance Period, the Administrator shall calculate a "**Change in Control Amount**" as of the closing date of the Change in Control (the "**Change in Control Date**") as follows: The number of PSUs to be included in the Change in Control Amount (if any) shall be based on the greater of (a) the actual number of PSUs that would be earned based on performance as compared to the Performance Goals as of the Change in Control Date, as determined by the Administrator in its sole discretion or (b) the Target Number of PSUs. Except as provided in Section 3.3(b) below, the Change in Control Amount attributable to the PSUs shall be converted to and payable in time-based units with respect to cash, Shares or other equity interests of the acquiring company or its parent, as determined by the Administrator, subject to the same time-based vesting schedule as the original PSUs.

3.3 Vesting and Settlement.

(a) If a Change in Control occurs during the Performance Period and the PSUs are assumed in accordance with Section 8.2(c) of the Plan, the following shall apply:

(i) If Participant continues in employment through the Vesting Date, the Change in Control Amount shall be paid between January 1, 2023 and March 15, 2023.

(ii) If Participant has a Termination of Service without Cause or Participant terminates employment for Good Reason, upon or within 12 months following the Change in Control Date and before the Vesting Date, Participant shall receive a pro-rated portion of the Change in Control Amount. Such pro-rated portion shall be equal to the Change in Control Amount, multiplied by a fraction, the numerator of which is the number of full calendar days during the Performance Period prior to Participant's Termination of Service and the denominator of which is the total number of days in the Performance Period (the "**Pro-Rated Amount**"). The Pro-Rated Amount shall be paid within 60 days following Participant's Termination of Service.

(iii) If Participant has a Termination of Service on account of Retirement, Disability or death following the Change in Control Date and before the Vesting Date, Participant shall be entitled to receive the Pro-Rated Amount, which shall be paid within 60 days following Participant's Termination of Service, provided that, if required by Section 409A (as defined below), if Participant's Termination of Service occurs more than 12 months following the Change in Control Date, payment will be made between January 1, 2023 and March 15, 2023.

(iv) If Participant's employment or service terminates on account of Retirement, death or Disability and a Change in Control subsequently occurs before the Vesting Date, the

amount payable to Participant shall be the Pro-Rated Amount, which shall be paid within 60 days following the Change in Control Date.

(b) If the PSUs are not assumed in accordance with 8.2(c) of the Plan, the Change in Control Amount shall become fully vested upon the Change in Control Date, and to the extent permitted by Section 409A of the Code and the Treasury Regulations thereunder (“**Section 409A**”), the Change in Control Amount shall be paid within 60 days following the Change in Control Date. The Administrator may determine that the aggregate Change in Control Amount attributable to the PSUs that vest under this subsection (b) shall be (1) converted to and payable in units with respect to shares or other equity interests of the acquiring company or its parent or (2) payable in cash based on the Fair Market Value of the Change in Control Amount as of the date preceding the Change in Control Date, in either case subject to the Company’s collection of all applicable withholding taxes.

(c) For the avoidance of doubt, if the Change in Control Date occurs after the end of the Performance Period but prior to settlement of the vested PSUs, the vested PSUs shall be settled in accordance with Section 2.1(a), and shall not be based on the Change in Control Amount.

(d) Notwithstanding anything in this Agreement to the contrary, to the extent that the PSUs constitute nonqualified deferred compensation subject to Section 409A of the Code and the Treasury Regulations thereunder (“**Section 409A**”), if (i) a Change in Control does not constitute a “change in control event” under Section 409A, or (ii) otherwise required by Section 409A, any amounts that vest pursuant to subsection (a)(ii), (a)(iii), (a)(iv) or (b) above shall be paid between January 1, 2023 and March 15, 2023.

ARTICLE IV. TAXATION AND TAX WITHHOLDING

4.1 Representation. Participant represents to the Company that Participant has reviewed with Participant’s own tax advisors the tax consequences of this Award and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

4.2 Tax Withholding

(a) The Company has the right and option, but not the obligation, to treat Participant’s failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the PSUs or Dividend Equivalents as Participant’s election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise issuable under the Award.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the PSUs and the Dividend Equivalents, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the PSUs or Dividend Equivalents. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the PSUs or the Dividend Equivalents or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the PSUs or Dividend Equivalents to reduce or eliminate Participant’s tax liability.

4.3 Section 409A. This Agreement is intended to comply with the requirements of Section 409A. To the extent there is any ambiguity as to whether any provision of this Agreement would

otherwise contravene one or more applicable requirements or limitations of Section 409A, such provision shall be interpreted and applied in a manner that complies with the applicable requirements of Section 409A. Notwithstanding the other provisions hereof, (i) any reference to Participant's Termination of Service or termination of employment shall mean Participant's "separation from service," as such term is defined under Section 409A ("**Separation from Service**"), (ii) each issuance of cash or Shares under this Agreement shall be treated as a separate payment, (iii) if Participant is a "specified employee" under Section 409A and if payment of any amount under this Agreement is required to be delayed for a period of six months after Separation from Service pursuant to Section 409A, payment of such amount shall be delayed as required by Section 409A and shall be paid within ten days after the end of the six-month period or Participant's death, if earlier, and (iv) in no event may Participant, directly or indirectly, designate the calendar year of a payment.

ARTICLE V. OTHER PROVISIONS

5.1 Adjustments. Participant acknowledges that the PSUs, the Shares subject to the PSUs and the Dividend Equivalents are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

5.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to the PSUs by electronic means. By signing the Grant Notice, Participant consents to receive all documents related to the PSUs by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

5.3 Company Policies. The PSUs, any cash or Shares issued pursuant to this Agreement, and any cash proceeds realized from the sale of any Shares issued pursuant to this Agreement are subject to forfeiture or repayment to the Company pursuant to any "clawback" policy that the Company may have in place from time to time and are subject to any share trading policies and other policies that may be implemented by the Company from time to time.

5.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws

5.6 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

5.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement, the PSUs and the Dividend Equivalents will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

5.8 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof. In the event there is any express conflict between this Agreement and the terms of the Plan, the terms of the Plan shall govern.

5.9 Amendment. The terms and conditions of this Agreement and the RSUs may be amended by the Administrator as permitted by the Plan.

5.10 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

5.11. Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the PSUs and Dividend Equivalents, and rights no greater than the right to receive the Shares or cash as a general unsecured creditor with respect to the PSUs and Dividend Equivalents, as and when settled pursuant to the terms of this Agreement.

5.12. Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

5.13 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

Exhibit 10.8

**PAE INCORPORATED
2020 EQUITY INCENTIVE PLAN**

RESTRICTED STOCK UNIT GRANT NOTICE

Capitalized terms not specifically defined in this Restricted Stock Unit Grant Notice (the “**Grant Notice**”) have the meanings given to them in the 2020 Equity Incentive Plan (as amended from time to time, the “**Plan**”) of PAE Incorporated (the “**Company**”).

The Company has granted to the participant listed below (“**Participant**”) the Restricted Stock Units described in this Grant Notice (the “**RSUs**”), subject to the terms and conditions of the Plan and the Restricted Stock Unit Agreement attached as **Exhibit A** (the “**Agreement**”), both of which are incorporated into this Grant Notice by reference.

Participant:

Grant Date:

Number of RSUs:

Vesting Commencement Date:

Vesting Schedule:

By Participant’s signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PAE INCORPORATED

By: _____
Name: _____
Title: _____

PARTICIPANT

[Participant Name]

Exhibit A

RESTRICTED STOCK UNIT AGREEMENT

ARTICLE I.

GENERAL

1.1 Award of RSUs and Dividend Equivalents

(a) The Company has granted the RSUs to Participant effective as of the grant date set forth in the Grant Notice (the “Grant Date”). Each RSU represents the right to receive one Share, as set forth in this Agreement. Participant will have no right to the distribution of any Shares until the time (if ever) the RSUs have vested.

(b) The Company hereby grants to Participant, with respect to each RSU, a Dividend Equivalent for ordinary cash dividends paid to substantially all holders of outstanding Shares with a record date after the Grant Date and prior to the date the applicable RSU is settled, forfeited or otherwise expires. Each Dividend Equivalent entitles Participant to receive the equivalent value of any such ordinary cash dividends paid on a single Share; provided that, such value may be paid in the form of cash or Shares, as determined by the Company in its discretion. The Company will establish a separate Dividend Equivalent bookkeeping account (a “***Dividend Equivalent Account***”) for each Dividend Equivalent and credit the Dividend Equivalent Account (without interest) on the applicable dividend payment date with the amount of any such cash paid.

1.2 Award Incorporation of Terms of Plan. The RSUs are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.3 Definitions. Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan. When used in this Agreement or the Grant Notice, the following capitalized terms have the following meanings:

(a) “***Good Reason***” means (i) if Participant is a party to a written employment agreement or offer letter with the Company or any of its Subsidiaries in which the term “good reason” is defined, the meaning set forth in such employment agreement or offer letter, or (ii) if no such employment agreement or offer letter exists, the occurrence of any of the following without Participant’s prior written consent: (1) a material reduction in annual base salary or target annual cash bonus opportunity or (2) a relocation of Participant’s principal place of business of 50 miles or more, provided such relocation also increases Participant’s commute by at least 25 miles; provided however that, in order to constitute Good Reason pursuant to the preceding clauses (i) or (ii), Participant must provide written notice to the Company or its Subsidiary of Participant’s intent to resign for Good Reason within 45 days of the occurrence of the applicable event (each, a “***Good Reason Event***”) in order for Participant’s resignation for Good Reason to be effective hereunder. Upon receipt of such notice, the Company or its Subsidiary shall have 30 days (the “***Good Reason Cure Period***”) to rectify the Good Reason Event. If the Company or its Subsidiary fails to rectify the Good Reason Event prior to the expiration of the Good Reason Cure Period, then Participant may terminate employment within ten days following the expiration of the Good Reason Cure Period and such termination will be considered for Good Reason.

1.4 Unsecured Promise. The RSUs and Dividend Equivalents will at all times prior to settlement represent an unsecured Company obligation payable only from the Company's general assets.

ARTICLE II. VESTING; FORFEITURE AND SETTLEMENT

2.1 Vesting; Forfeiture.

(a) The RSUs will vest according to the vesting schedule in the Grant Notice. In the event of Participant's Termination of Service for any reason, all unvested RSUs will immediately and automatically be cancelled and forfeited, except as provided in Section 2.1(b) and (c) below or otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company. Dividend Equivalents (including any Dividend Equivalent Account balance) will vest or be forfeited, as applicable, upon the vesting or forfeiture of the RSU with respect to which the Dividend Equivalent (including the Dividend Equivalent Account) relates.

(b) In the event that Participant incurs a Termination of Service on account of the Participant's death or Disability, then upon such Termination, 100% of the unvested RSUs shall become immediately vested.

(c) If a Change of Control occurs, outstanding RSUs will be treated as described in this subsection. Notwithstanding anything to the contrary, the Administrator may take such other actions with respect to the RSUs as it deems appropriate pursuant to the Plan.

(i) If the RSUs are assumed in accordance with Section 8.2(c) of the Plan, the RSUs shall continue to vest in accordance with the Vesting Schedule set forth in the Grant Notice and this Section 2.1(c), based on Participant's continued employment or service with the Company and its Subsidiaries.

(ii) Notwithstanding subsection (i) above, if the RSUs are assumed in accordance with Section 8.2(c) of the Plan, and Participant's employment or service is terminated by the Company and its Subsidiaries without Cause or Participant terminates employment for Good Reason, upon or within 12 months following a Change in Control and before the applicable vesting date, the RSUs shall, to the extent not then vested or previously forfeited or cancelled, become fully vested upon such termination of employment.

(iii) If the RSUs are not assumed in accordance with Section 8.2(c) of the Plan, the RSUs shall, to the extent not then vested or previously forfeited or cancelled, become fully vested upon the Change in Control.

(iv) Notwithstanding anything in this Agreement to the contrary, to the extent that the RSUs constitute nonqualified deferred compensation subject to Section 409A of the Code and the Treasury Regulations thereunder ("**Section 409A**"), if (A) a Change in Control does not constitute a "change in control event" under Section 409A, or (B) otherwise required by Section 409A, any amounts that vest pursuant to subsection (iii) above shall be paid within 30 days following the otherwise applicable vesting date.

(d) Notwithstanding anything to the contrary, any vesting references in this Agreement shall be deemed conditional and remain subject to Participant not being terminated by the Company for Cause at any time. If Participant has a Termination of Service for Cause, whether during or after the

vesting period, the RSUs, whether otherwise vested or unvested, will immediately and automatically be cancelled and forfeited.

2.2 Settlement.

(a) RSUs and Dividend Equivalents (including any Dividend Equivalent Account balance) will be paid as soon as administratively practicable after the vesting of the applicable RSU, but in no event more than 30 days after the vesting date of the RSUs.

b) If a Dividend Equivalent is paid in Shares, the number of Shares paid with respect to the Dividend Equivalent will equal the quotient, rounded down to the nearest whole Share, of the Dividend Equivalent Account balance divided by the Fair Market Value of a Share on the day immediately preceding the payment date.

ARTICLE III. TAXATION AND TAX WITHHOLDING

3.1 Representation

. Participant represents to the Company that Participant has reviewed with Participant's own tax advisors the tax consequences of this Award and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

3.2 Tax Withholding.

(a) The Company has the right and option, but not the obligation, to treat Participant's failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the RSUs or Dividend Equivalents as Participant's election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise issuable under the Award.

(a) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs and the Dividend Equivalents, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the RSUs or Dividend Equivalents. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the Dividend Equivalents or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the RSUs or Dividend Equivalents to reduce or eliminate Participant's tax liability.

3.3 Section 409A. This Agreement is intended to comply with the requirements of Section 409A. To the extent there is any ambiguity as to whether any provision of this Agreement would otherwise contravene one or more applicable requirements or limitations of Section 409A, such provision shall be interpreted and applied in a manner that complies with the applicable requirements of Section 409A. Notwithstanding the other provisions hereof, (i) any reference to Participant's Termination of Service or termination of employment shall mean Participant's "separation from service," as such term is defined under Section 409A ("**Separation from Service**"), (ii) each issuance of cash or Shares under this Agreement shall be treated as a separate payment, (iii) if Participant is a "specified employee" under Section 409A and if payment of any amount under this Agreement is required to be delayed for a period of six months after Separation from Service pursuant to Section 409A, payment of such amount shall be

delayed as required by Section 409A and shall be paid within ten days after the end of the six-month period or Participant's death, if earlier, and (iv) in no event may Participant, directly or indirectly, designate the calendar year of a payment.

ARTICLE IV. OTHER PROVISIONS

4.1 Adjustments. Participant acknowledges that the RSUs, the Shares subject to the RSUs and the Dividend Equivalents are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

4.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to the RSUs by electronic means. By signing the Grant Notice, Participant consents to receive all documents related to the RSUs by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

4.3 Company Policies. The RSUs, any cash or Shares issued pursuant to this Agreement, and any cash proceeds realized from the sale of any Shares issued pursuant to this Agreement are subject to forfeiture or repayment to the Company pursuant to any "clawback" policy that the Company may have in place from time to time and are subject to any share trading policies and other policies that may be implemented by the Company from time to time.

4.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.6 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in the Plan, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the

Grant Notice, this Agreement, the RSUs and the Dividend Equivalents will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.8 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof. In the event there is any express conflict between this Agreement and the terms of the Plan, the terms of the Plan shall govern.

4.9 Amendment. The terms and conditions of this Agreement and the RSUs may be amended by the Administrator as permitted by the Plan.

4.10 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.11 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents, and rights no greater than the right to receive the Shares or cash as a general unsecured creditor with respect to the RSUs and Dividend Equivalents, as and when settled pursuant to the terms of this Agreement.

4.12 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

4.13 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

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PAE INCORPORATED 2020 EQUITY INCENTIVE PLAN
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RESTRICTED STOCK UNIT GRANT NOTICE

Capitalized terms not specifically defined in this Restricted Stock Unit Grant Notice (the “**Grant Notice**”) have the meanings given to them in the 2020 Equity Incentive Plan (as amended from time to time, the “**Plan**”) of PAE Incorporated (the “**Company**”).

The Company has granted to the participant listed below (“**Participant**”) the Restricted Stock Units described in this Grant Notice (the “**RSUs**”), subject to the terms and conditions of the Plan and the Restricted Stock Unit Agreement attached as **Exhibit A** (the “**Agreement**”), both of which are incorporated into this Grant Notice by reference.

Participant:

Grant Date:

Number of RSUs:

Vesting Commencement Date:

Vesting Schedule:

By Participant’s signature below, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, this Grant Notice or the Agreement.

PAE INCORPORATED

By: _____
Name: _____
Title: _____

PARTICIPANT

[Participant Name]

RESTRICTED STOCK UNIT AGREEMENT

ARTICLE I.

GENERAL

1.1 Award of RSUs and Dividend Equivalents

(a) The Company has granted the RSUs to Participant effective as of the grant date set forth in the Grant Notice (the “Grant Date”). Each RSU represents the right to receive one Share, as set forth in this Agreement. Participant will have no right to the distribution of any Shares until the time (if ever) the RSUs have vested.

(b) The Company hereby grants to Participant, with respect to each RSU, a Dividend Equivalent for ordinary cash dividends paid to substantially all holders of outstanding Shares with a record date after the Grant Date and prior to the date the applicable RSU is settled, forfeited or otherwise expires. Each Dividend Equivalent entitles Participant to receive the equivalent value of any such ordinary cash dividends paid on a single Share; provided that, such value may be paid in the form of cash or Shares, as determined by the Company in its discretion. The Company will establish a separate Dividend Equivalent bookkeeping account (a “***Dividend Equivalent Account***”) for each Dividend Equivalent and credit the Dividend Equivalent Account (without interest) on the applicable dividend payment date with the amount of any such cash paid.

1.2 Award Incorporation of Terms of Plan. The RSUs are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.3 Definitions. Capitalized terms not specifically defined in this Agreement have the meanings specified in the Grant Notice or, if not defined in the Grant Notice, in the Plan. When used in this Agreement or the Grant Notice, the following capitalized terms have the following meanings:

(a) “**Good Reason**” means (i) if Participant is a party to a written employment agreement or offer letter with the Company or any of its Subsidiaries in which the term “good reason” is defined, the meaning set forth in such employment agreement or offer letter, or (ii) if no such employment agreement or offer letter exists, the occurrence of any of the following without Participant’s prior written consent: (1) a material reduction in annual base salary or target annual cash bonus opportunity or (2) a relocation of Participant’s principal place of business of 50 miles or more, provided such relocation also increases Participant’s commute by at least 25 miles; provided however that, in order to constitute Good Reason pursuant to the preceding clauses (i) or (ii), Participant must provide written notice to the Company or its Subsidiary of Participant’s intent to resign for Good Reason within 45 days of the occurrence of the applicable event (each, a “Good Reason Event”) in order for Participant’s resignation for Good Reason to be effective hereunder. Upon receipt of such notice, the Company or its Subsidiary shall have 30 days (the “Good Reason Cure Period”) to rectify the Good Reason Event. If the Company or its Subsidiary fails to rectify the Good Reason Event prior to the expiration of the Good Reason Cure Period, then Participant may terminate employment within ten days following the expiration of the Good Reason Cure Period and such termination will be considered for Good Reason.

(b) **“Retirement”** means Participant’s Termination of Service other than for Cause after Participant’s attainment of age 65 with at least five consecutive years of service with the Company or its Subsidiaries. “Retirement” means Participant’s Termination of Service other than for Cause after Participant’s attainment of age 65 with at least five consecutive years of service with the Company or its Subsidiaries.

1.4 Unsecured Promise. The RSUs and Dividend Equivalents will at all times prior to settlement represent an unsecured Company obligation payable only from the Company’s general assets.

ARTICLE II. VESTING; FORFEITURE AND SETTLEMENT

2.1 Vesting; Forfeiture.

(a) The RSUs will vest according to the vesting schedule in the Grant notice. In the event of Participant’s Termination of Service for any reason, all unvested RSUs will immediately and automatically be cancelled and forfeited, except as provided in Section 2.1(b) and (c) below or otherwise determined by the Administrator or provided in a binding written agreement between Participant and the Company. Dividend Equivalents (including any Dividend Equivalent Account balance) will vest or be forfeited, as applicable, upon the vesting or forfeiture of the RSU with respect to which the Dividend Equivalent (including the Dividend Equivalent Account) relates.

(b) In the event that Participant incurs a Termination of Service on account of the Participant’s Retirement, death or Disability, then upon such Termination, 100% of the unvested RSUs shall become immediately vested.

(c) If a Change of Control occurs, outstanding RSUs will be treated as described in this subsection. Notwithstanding anything to the contrary, the Administrator may take such other actions with respect to the RSUs as it deems appropriate pursuant to the Plan.

(i) If the RSUs are assumed in accordance with Section 8.2(c) of the Plan, the RSUs shall continue to vest in accordance with the Vesting Schedule set forth in the Grant Notice and this Section 2.1(c), based on Participant’s continued employment or service with the Company and its Subsidiaries.

(ii) Notwithstanding subsection (i) above, if the RSUs are assumed in accordance with Section 8.2(c) of the Plan, and Participant’s employment or service is terminated by the Company and its Subsidiaries without Cause or Participant terminates employment for Good Reason, upon or within 12 months following a Change in Control and before the applicable vesting date, the RSUs shall, to the extent not then vested or previously forfeited or cancelled, become fully vested upon such termination of employment.

(iii) If the RSUs are not assumed in accordance with Section of 8.2(c) of the Plan, the RSUs shall, to the extent not then vested or previously forfeited or cancelled, become fully vested upon the Change in Control.

(iv) Notwithstanding anything in this Agreement to the contrary, to the extent that the RSUs constitute nonqualified deferred compensation subject to Section

409A of the Code and the Treasury Regulations thereunder (“**Section 409A**”), if (A) a Change in Control does not constitute a “change in control event” under Section 409A, or (B) otherwise required by Section 409A, any amounts that vest pursuant to subsection (iii) above shall be paid within 30 days following the otherwise applicable vesting date.

(d) Notwithstanding anything to the contrary, any vesting references in this Agreement shall be deemed conditional and remain subject to Participant not being terminated by the Company for Cause at any time. If Participant has a Termination of Service for Cause, whether during or after the vesting period, the RSUs, whether otherwise vested or unvested, will immediately and automatically be cancelled and forfeited.

2.2 Settlement.

(a) RSUs and Dividend Equivalents (including any Dividend Equivalent Account balance) will be paid as soon as administratively practicable after the vesting of the applicable RSU, but in no event more than 30 days after the vesting date of the RSUs.

b) If a Dividend Equivalent is paid in Shares, the number of Shares paid with respect to the Dividend Equivalent will equal the quotient, rounded down to the nearest whole Share, of the Dividend Equivalent Account balance divided by the Fair Market Value of a Share on the day immediately preceding the payment date.

ARTICLE III.

TAXATION AND TAX WITHHOLDING

3.1 Representation

Participant represents to the Company that Participant has reviewed with Participant’s own tax advisors the tax consequences of this Award and the transactions contemplated by the Grant Notice and this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents.

3.2 Tax Withholding.

(a) The Company has the right and option, but not the obligation, to treat Participant’s failure to provide timely payment in accordance with the Plan of any withholding tax arising in connection with the RSUs or Dividend Equivalents as Participant’s election to satisfy all or any portion of the withholding tax by requesting the Company retain Shares otherwise issuable under the Award.

(b) Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs and the Dividend Equivalents, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the RSUs or Dividend Equivalents. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the Dividend Equivalents or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the RSUs or Dividend Equivalents to reduce or eliminate Participant’s tax liability.

3.3 Section 409A. This Agreement is intended to comply with the requirements of Section 409A. To the extent there is any ambiguity as to whether any provision of this Agreement would otherwise contravene one or more applicable requirements or limitations of

Section 409A, such provision shall be interpreted and applied in a manner that complies with the applicable requirements of Section 409A. Notwithstanding the other provisions hereof, (i) any reference to Participant's Termination of Service or termination of employment shall mean Participant's "separation from service," as such term is defined under Section 409A ("**Separation from Service**"), (ii) each issuance of cash or Shares under this Agreement shall be treated as a separate payment, (iii) if Participant is a "specified employee" under Section 409A and if payment of any amount under this Agreement is required to be delayed for a period of six months after Separation from Service pursuant to Section 409A, payment of such amount shall be delayed as required by Section 409A and shall be paid within ten days after the end of the six-month period or Participant's death, if earlier, and (iv) in no event may Participant, directly or indirectly, designate the calendar year of a payment.

ARTICLE IV. OTHER PROVISIONS

4.1 Adjustments. Participant acknowledges that the RSUs, the Shares subject to the RSUs and the Dividend Equivalents are subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan.

4.2 Notices. Any notice to be given under the terms of this Agreement to the Company must be in writing and addressed to the Company in care of the Company's Secretary at the Company's principal office or the Secretary's then-current email address or facsimile number. Any notice to be given under the terms of this Agreement to Participant must be in writing and addressed to Participant at Participant's last known mailing address, email address or facsimile number in the Company's personnel files. By a notice given pursuant to this Section, either party may designate a different address for notices to be given to that party. Any notice will be deemed duly given when actually received, when sent by email, when sent by certified mail (return receipt requested) and deposited with postage prepaid in a post office or branch post office regularly maintained by the United States Postal Service, when delivered by a nationally recognized express shipping company or upon receipt of a facsimile transmission confirmation. Notwithstanding the foregoing, the Company may, in its sole discretion, decide to deliver any documents related to the RSUs by electronic means. By signing the Grant Notice, Participant consents to receive all documents related to the RSUs by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

4.3 Company Policies. The RSUs, any cash or Shares issued pursuant to this Agreement, and any cash proceeds realized from the sale of any Shares issued pursuant to this Agreement are subject to forfeiture or repayment to the Company pursuant to any "clawback" policy that the Company may have in place from time to time and are subject to any share trading policies and other policies that may be implemented by the Company from time to time.

4.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

4.5 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws and, to the extent Applicable Laws permit, will be deemed amended as necessary to conform to Applicable Laws.

4.6 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in the Plan, this

Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

4.7 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Grant Notice, this Agreement, the RSUs and the Dividend Equivalents will be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3) that are requirements for the application of such exemptive rule. To the extent Applicable Laws permit, this Agreement will be deemed amended as necessary to conform to such applicable exemptive rule.

4.8 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof. In the event there is any express conflict between this Agreement and the terms of the Plan, the terms of the Plan shall govern.

4.9 Amendment. The terms and conditions of this Agreement and the RSUs may be amended by the Administrator as permitted by the Plan.

4.10 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held illegal or invalid, the provision will be severable from, and the illegality or invalidity of the provision will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

4.11 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and may not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant will have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents, and rights no greater than the right to receive the Shares or cash as a general unsecured creditor with respect to the RSUs and Dividend Equivalents, as and when settled pursuant to the terms of this Agreement.

4.12 Not a Contract of Employment. Nothing in the Plan, the Grant Notice or this Agreement confers upon Participant any right to continue in the employ or service of the Company or any Subsidiary or interferes with or restricts in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

4.13 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which will be deemed an original and all of which together will constitute one instrument.

* * * * *

Exhibit 31.1

Section 302 Certification

I, John E. Heller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PAE Incorporated (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date May 7, 2020

/s/ John E. Heller

John E. Heller
President,
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

Section 302 Certification

I, Charles D. Peiffer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PAE Incorporated (the "Registrant");
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
 4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
 5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to affect the Registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls over financial reporting.
- Date: May 7, 2020

/s/ Charles D. Peiffer

Charles D. Peiffer

**Executive Vice President, Chief Financial Officer
(Principal Financial Officer)**

Section 906 Certification

In connection with the quarterly report on Form 10-Q of PAE Incorporated (the "Company") for the period ended March 29, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned President and Chief Executive Officer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2020

/s/ John E. Heller

John E. Heller
President,
Chief Executive Officer and Director
(Principal Executive Officer)

Section 906 Certification

In connection with the quarterly report on Form 10-Q of PAE Incorporated (the "Company") for the period ended March 29, 2020, as filed with the Securities and Exchange Commission on the date hereof (the Report), the undersigned Executive Vice President, Chief Financial Officer of the Company certifies, to the best of his knowledge and belief pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2020

/s/ Charles D. Peiffer

Charles D. Peiffer
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)