SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into between and among the United States of America, acting through the United States Attorney's Office for the District of Columbia ("USAO-DC") and on behalf of the United States Department of State ("State Department") (collectively, the "United States"), Pacific Architects and Engineers, LLC, a Delaware limited liability company (formerly known as Pacific Architects and Engineers Incorporated), on behalf of PAE Justice Support, a Virginia general partnership (formerly known as PAE-HSC Joint Venture Partnership and also known as PAE Washington and PAE-HSC), PAE Government Services, Inc., a California corporation, and PAE Training Services, LLC, a Delaware limited liability company (collectively, "PAE"), and Robert J. Palombo ("Palombo" or "Relator") (hereafter collectively referred to as the "Parties"), through their authorized representatives.

RECITALS

A. PAE is a contractor that provides personnel and other support to various federal government agencies. On or about March 25, 2004, the State Department awarded to PAE¹ Contract No. S-LMAQM-04-C-0033, known as the Civilian Police "CIVPOL" contract to provide personnel in support of State Department missions in Afghanistan, Haiti, Lebanon, Liberia, South Sudan, and elsewhere. The CIVPOL contract was an Indefinite Quantity, Indefinite Delivery (IDIQ) contract. The State

¹ The CIVPOL contract was originally awarded to PAE-HSC Joint Venture Partnership. A subsequent modification noted a corporate name change to PAE Justice Support. Other modifications to CIVPOL and to the relevant Task Orders referenced "PAE-HSC," "Pacific Architects and Engineers, Incorporated," and "PAE Washington."
Department subsequently awarded PAE Task Orders under the CIVPOL base contract that corresponded to specific overseas missions.

B. On October 24, 2013, Relator filed an action in the United States District Court for the District of Columbia captioned United States ex rel. Palombo v. PAE, Inc. a/k/a Pacific Architects and Engineers, Incorporated, et al., Civil Action No. 1:13-cv-01628 (JDB), pursuant to the qui tam provisions of the False Claims Act, 31 U.S.C. § 3730(b) (the “Civil Action”). The Relator’s Complaint alleges, among other things, that PAE failed to conduct the required security and background checks on American personnel that the company hired and that performed certain work in support of various CIVPOL task orders, and that PAE failed to notify the appropriate State Department Regional Security Officers (“RSO”) when hiring host country nationals and third country nationals to staff the task orders. The Relator also asserts a claim in his personal capacity pursuant to 31 U.S.C. § 3730(h). The United States intervened in the Civil Action on April 21, 2017.

C. The United States contends that it has certain civil claims against PAE arising from its performance of Task Order S-AQMPD-07-F-0885 (the “Interdiction Task Order” or “Interdiction”), issued under the CIVPOL contract on or about February 13, 2007. In particular, the United States asserts that:

1. Between January 2007 and June 2014, PAE knowingly failed to conduct two developed reference checks as part of the background checks required for high risk/armed personnel staffed on the Interdiction Task Order, thus rendering PAE’s invoices to the State Department for the services of those personnel false.
2. Between July 2010 and June 2013, PAE knowingly failed to submit the names of host country national and third country national personnel on the Interdiction Task Order to the RSO in Afghanistan, as required by the CIVPOL contract and the Interdiction Task Order, thus rendering PAE’s claims to the State Department for the services of those personnel false.

The conduct described above is referred to as the “Covered Conduct”.

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

E. Relator claims entitlement under 31 U.S.C. § 3730(d) to a share of the proceeds of this Settlement Agreement and to Relator’s reasonable expenses, attorneys’ fees and costs. The Relator and PAE have resolved all other matters between them related to the Civil Action in a separate agreement (“Relator’s Separate Agreement”).

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

TERMS AND CONDITIONS

1. PAE shall pay to the United States the amount of Five Million Dollars ($5,000,000.00) (“Settlement Amount”), by electronic funds transfer pursuant to written instructions to be provided by the USAO-DC, on or before September 18, 2017.

2. Conditioned upon the United States receiving the Settlement Amount from PAE and as soon as feasible after receipt, the United States shall pay $875,000.00 to Relator by electronic funds transfer.
3. The terms by which PAE and Relator have resolved Relator’s claims for expenses, attorney’s fees, and costs pursuant to 31 U.S.C. § 3730(d), as well as Relator’s wrongful termination claim under 31 U.S.C. § 3730(h), are addressed in Relator’s Separate Agreement.

4. Subject to the exceptions in Paragraph 7 (concerning excluded claims) below, and conditioned upon PAE’s full payment of the Settlement Amount, the United States fully and finally releases, waives and forever discharges PAE from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; and the common law or equitable theories of breach of contract, payment by mistake, unjust enrichment, and fraud.

5. Subject to the exceptions in Paragraph 7 below, and conditioned upon PAE’s full payment of the Settlement Amount, and satisfaction of its obligations under the Separate Relator Agreement, Relator, for himself and for his heirs, successors, attorneys, agents, and assigns, releases PAE from any civil monetary claim Relator has on behalf of the United States for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733.

6. Relator, for himself and for his heirs, successors, attorneys, agents, and assigns, fully and finally releases, waives and forever discharges PAE and PAE’s past, present, and future parent and/or subsidiary corporations, divisions, affiliates, and any past, present and/or future partners, owners, joint venturers, stockholders, predecessors, successors, officers, directors, administrators, employees, agents, representatives, attorneys, heirs, executors, assigns, retirement plans and/or their trustees, and any other
person or firm with whom any of them is now or may hereafter be affiliated, from
liability (including attorney’s fees, costs and expenses of every kind and however
denominated) to Relator arising from the filing of the Civil Action, or under 31 U.S.C.
§ 3730(d) for expenses or attorney’s fees and costs.

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

a. Any liability arising under Title 26, U.S. Code (Internal Revenue
Code);
b. Any criminal liability;
c. Except as explicitly stated in the Agreement, any administrative
liability, including the suspension and debarment rights of any
federal agency;
d. Any liability to the United States (or its agencies) for any conduct
other than the Covered Conduct;
e. Any liability based upon obligations created by this Agreement;
f. Any liability of individuals;
g. Any liability for express or implied warranty claims or other
claims for defective or deficient products or services, including
quality of goods and services; and
i. Any liability for personal injury or property damage or for other
consequential damages arising from the Covered Conduct.
8. Nothing in this Agreement circumscribes the scope of Palombo’s release and waiver in the Separate Relator Agreement.

9. Relator and his heirs, successors, attorneys, agents, and assigns shall not object to this Agreement and hereby agree and confirm that this Agreement is fair, adequate, and reasonable under all the circumstances, pursuant to 31 U.S.C. § 3730(c)(2)(B). Conditioned upon Relator’s receipt of the payment described in Paragraph 2, Relator and his heirs, successors, attorneys, agents, and assigns fully and finally release, waive, and forever discharge the United States, its agencies, officers, agents, employees, and servants, from any claims arising from the filing of the Civil Action or under 31 U.S.C. § 3730, and from any claims to a share of the proceeds of this Agreement and/or the Civil Action.

10. PAE waives and shall not assert any defenses PAE may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

11. PAE fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney’s fees, costs, and expenses of every kind and however denominated) that PAE has asserted, could have
asserted, or may assert in the future against the United States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

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

(1) the matters covered by this Agreement;
(2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
(3) PAE's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorney's fees);
(4) the negotiation and performance of this Agreement;
(5) the payment of the Settlement Amount PAE makes to the United States pursuant to this Agreement and any payments that PAE may make to Relator, including costs and attorneys fees as described in the Relator's Separate Agreement,

are unallowable costs for government contracting purposes (hereinafter referred to as "Unallowable Costs").
b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by PAE, and PAE shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

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

13. PAE agrees to cooperate fully and truthfully with the United States' investigation of individuals and entities not released in this Agreement. Upon reasonable notice, PAE shall encourage, and agrees not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals. PAE further agrees to furnish to the United States, upon request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession,
custody, or control concerning any investigation of the Covered Conduct that it has undertaken, or that has been performed by another on its behalf.

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

15. In as much as all parties want the entire action dismissed, within thirty (30) business days of receipt of the payment described in Paragraph 1, above, and upon receipt of all payments due to Relator under the Relator’s Separate Agreement, the United States and Relator shall sign and file in the Civil Action a Joint Stipulation of Dismissal of the entire Civil Action pursuant to Rule 41(a)(1) (the “Dismissal”). The Dismissal shall be with prejudice to Relator in all respects, and with prejudice to the United States with respect to the claims based on the Covered Conduct. The Dismissal shall be without prejudice to the United States with respect to any matters beyond the Covered Conduct.

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

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

18. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the District of Columbia. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.
19. This Agreement incorporates by reference the Relator's Separate Agreement and together they constitute the complete agreement between the Parties. This Agreement may not be amended except by written consent of all Parties.

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

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

22. This Agreement is binding on PAE's successors, transferees, heirs, and assigns.

23. This Agreement is binding on Relator's successors, transferees, heirs, and assigns.

24. All parties consent to the other Parties' disclosure of this Agreement, and information about this Agreement, to the public.

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

*** SIGNATURE PAGES TO FOLLOW ***
THE UNITED STATES OF AMERICA

DATED: 9/1/17

BY: 

Jennifer A. Short
Assistant United States Attorney
for the District of Columbia
Judiciary Center Building
555 Fourth Street, NW
Washington, D.C. 20530

PACIFIC ARCHITECTS AND ENGINEERS, LLC

DATED: 

BY: 

Whit Cobb
Senior Vice President & General Counsel

DATED: 

BY: 

Robert Nichols
Counsel for Pacific Architects and Engineers, LLC

ROBERT J. PALOMBO - RELATOR

DATED: 

BY: 

Robert J. Palombo

DATED: 

BY: 

Anthony Munter
Counsel for Robert J. Palombo
THE UNITED STATES OF AMERICA

DATED: _______      BY: ____________________________

Jennifer A. Short  
Assistant United States Attorney  
for the District of Columbia  
Judiciary Center Building  
555 Fourth Street, NW  
Washington, D.C.  20530

PACIFIC ARCHITECTS AND ENGINEERS, LLC

DATED: 9/1/2017      BY: ____________________________

Whit Cobb  
Senior Vice President & General Counsel

DATED: 9/1/2017      BY: ____________________________

Robert Nichols  
Counsel for Pacific Architects and Engineers, LLC

ROBERT J. PALOMBO - RELATOR

DATED: _______      BY: ____________________________

Robert J. Palombo

DATED: _______      BY: ____________________________

Anthony Munter  
Counsel for Robert J. Palombo
THE UNITED STATES OF AMERICA

DATED: ______  BY: __________________________________________

Jennifer A. Short
Assistant United States Attorney
for the District of Columbia
Judiciary Center Building
555 Fourth Street, NW
Washington, D.C. 20530

PACIFIC ARCHITECTS AND ENGINEERS, LLC

DATED: ______  BY: __________________________________________

Whit Cobb
Senior Vice President & General Counsel

DATED: ______  BY: __________________________________________

Robert Nichols
Counsel for Pacific Architects and Engineers, LLC

ROBERT J. PALOMBO - RELATOR

DATED: 9/1/2017  ________________

Robert J. Palombo

DATED: ______  BY: __________________________________________

Anthony Munter
Counsel for Robert J. Palombo
THE UNITED STATES OF AMERICA

DATED: _______

BY: ----------------------------------------

Jennifer A. Short
Assistant United States Attorney
for the District of Columbia
Judiciary Center Building
555 Fourth Street, NW
Washington, D.C. 20530

PACIFIC ARCHITECTS AND ENGINEERS, LLC

DATED: _______

BY: ----------------------------------------

Whit Cobb
Senior Vice President & General Counsel

DATED: _______

BY: ----------------------------------------

Robert Nichols
Counsel for Pacific Architects and Engineers, LLC

ROBERT J. PALOMBO - RELATOR

DATED: _______

BY: ----------------------------------------

Robert J. Palombo

DATED: 9/1/2017

BY: ----------------------------------------

Anthony Munter
Counsel for Robert J. Palombo