As filed with the Securities and Exchange Commission on September 11, 1997
Registration No. 333-31649

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 to

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

L-3 COMMUNICATIONS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	3812, 3663, 3679	13-3937436
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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600 Third Avenue
New York, New York 10016
(212) 697-1111
(Address, including zip Code, and telephone number, including area code, of registrant's principal executive offices)

Christopher C. Cambria, Esq.
L-3 Communications Corporation
600 Third Avenue
New York, New York 10016
(212) 697-1111
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:
David B. Chapnick, Esq.
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017
(212) 455-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: / /

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

THIS REGISTRATION STATEMENT COVERS THE REGISTRATION OF AN AGGREGATE PRINCIPAL AMOUNT OF $225,000,000 OF 10 3/8% SERIES B SENIOR SUBORDINATED NOTES DUE 2007 (THE "EXCHANGE NOTES") OF L-3 COMMUNICATIONS CORPORATION THAT MAY BE EXCHANGED FOR EQUAL PRINCIPAL AMOUNTS OF THE COMPANY'S OUTSTANDING 10 3/8% SENIOR SUBORDINATED NOTES DUE 2007 (THE "OLD NOTES") (THE "EXCHANGE OFFER"). THIS REGISTRATION STATEMENT ALSO COVERS THE REGISTRATION OF THE EXCHANGE NOTES FOR RESALE BY LEHMAN BROTHERS INC. IN MARKET-MAKING TRANSACTIONS. THE COMPLETE PROSPECTUS RELATING TO THE EXCHANGE OFFER (THE "EXCHANGE OFFER PROSPECTUS") FOLLOWS IMMEDIATELY AFTER THIS EXPLANATORY NOTE. FOLLOWING THE EXCHANGE OFFER PROSPECTUS ARE CERTAIN PAGES OF THE PROSPECTUS RELATING SOLELY TO SUCH MARKET-MAKING TRANSACTIONS (THE "MARKET-MAKING PROSPECTUS"), INCLUDING ALTERNATE FRONT AND BACK COVER PAGES, A SECTION ENTITLED "RISK FACTORS--TRADING MARKET FOR THE EXCHANGE NOTES" TO BE USED IN LIEU OF THE SECTION ENTITLED "RISK FACTORS--LACK OF PUBLIC MARKET FOR THE EXCHANGE NOTES," ALTERNATE SECTIONS ENTITLED "USE OF PROCEEDS" AND "PLAN OF DISTRIBUTION". IN ADDITION, THE MARKET-MAKING PROSPECTUS WILL NOT INCLUDE THE FOLLOWING CAPTIONS (OR THE INFORMATION SET FORTH UNDER SUCH CAPTIONS) IN THE EXCHANGE OFFER PROSPECTUS: "PROSPECTUS SUMMARY--THE NOTE OFFERING" AND "--THE EXCHANGE OFFER", "RISK FACTORS--CONSEQUENCES OF FAILURE TO EXCHANGE", "THE EXCHANGE OFFER" AND "CERTAIN FEDERAL INCOME TAX CONSEQUENCES". ALL OTHER SECTIONS OF THE EXCHANGE OFFER PROSPECTUS WILL BE INCLUDED IN THE MARKET-MAKING PROSPECTUS.

Information contained herein is subject to completion or amendment without notice. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION DATED _____, 1997

PRELIMINARY PROSPECTUS
[LOGO OMITTED]

L-3 Communications Corporation

Offer to Exchange $225,000,000 of its 10 3/8% Series B Senior Subordinated Notes due 2007, which have been registered under the Securities Act, for $225,000,000 of its outstanding 10 3/8% Senior Subordinated Notes due 2007

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON _____, 1997, UNLESS EXTENDED.

L-3 Communications Corporation (the "Company" or "L-3"), a wholly owned subsidiary of L-3 Communications Holdings, Inc. ("Holdings"), hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying Letter of Transmittal (which together constitute the "Exchange Offer"), to exchange an aggregate of up to $225,000,000 principal amount of 10 3/8% Series B Senior Subordinated Notes due 2007 (the "Exchange Notes") of the Company for an identical face amount of the issued and outstanding 10 3/8% Senior Subordinated Notes due 2007 (the "Old Notes" and together with the Exchange Notes, the "Notes") of the Company from the Holders (as defined) thereof. As of the date of this Prospectus, there is $225,000,000 aggregate principal amount of the Old Notes outstanding. The terms of the Exchange Notes are identical in all material respects to the Old Notes, except that the Exchange Notes have been registered under the Securities Act of 1933, as amended (the "Securities Act"), and therefore will not bear legends restricting their transfer and will not contain certain provisions providing for an increase in the interest rate on the Old Notes under certain circumstances described in the Registration Rights Agreement (as defined), which provisions will terminate as to all of the Notes upon the consummation of the Exchange Offer.

Interest on the Exchange Notes will be payable semi-annually on May 1 and November 1 of each year, commencing November 1, 1997. The Exchange Notes will be redeemable at the option of the Company, in whole or in part, at any time on or after May 1, 2002, at the redemption prices set forth herein, plus

accrued and unpaid interest to the date of redemption. In addition, prior to May 1, 2000, the Company may redeem up to 35% of the aggregate principal amount of Exchange Notes at the redemption price set forth herein plus accrued and unpaid interest through the redemption date with the net cash proceeds of one or more Equity Offerings (as defined). The Exchange Notes will not be subject to any mandatory sinking fund. In the event of a Change of Control (as defined), each holder of Exchange Notes will have the right, at the holder's option, to require the Company to purchase such holder's Exchange Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. The Company's ability to pay cash to the holders of Notes upon a purchase may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required purchases. See "Description of the Exchange Notes".

The Exchange Notes will be general unsecured obligations of the Company, subordinate in right of payment to all existing and future Senior Debt (as defined) of the Company. As of June 30, 1997, after giving pro forma effect to the Offering of the Old Notes, application of the net proceeds therefrom and borrowings under the Senior Credit Facilities (as defined), the Company would have had approximately $400.0 million of indebtedness outstanding, of which $175.0 million would have been Senior Debt (excluding letters of credit). See "Capitalization". On the date of issuance of the Exchange Notes, the Company will not have any subsidiaries; however, the Indenture (as defined) will permit the Company to create subsidiaries in the future.

The Old Notes were issued and sold on April 30, 1997 in a transaction not registered under the Securities Act in reliance upon an exemption from the registration requirements thereof. In general, the Old Notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act. The Exchange Notes are being offered hereby in order to satisfy certain obligations of the Company contained in the Registration Rights Agreement. Based on interpretations by the staff of the Securities and Exchange Commission (the "Commission") set forth in no-action letters issued to third parties, the Company believes that the Exchange Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold or otherwise transferred by any holder thereof (other than any such holder that is an "affiliate" of the Company within the meaning of Rule 405 promulgated under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holder's business, such holder has no arrangement with any person to participate in the distribution of such Exchange Notes and neither such holder nor any such other person is engaging in or intends to engage in a distribution of such Exchange Notes. However, the Company has not sought, and does not intend to seek, its own no-action letter, and there can be no assurance that the staff of the Commission would make a similar determination with respect to the Exchange Offer. Notwithstanding the foregoing, each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. See "Plan of Distribution". Any person participating in the Exchange Offer who does not acquire the Exchange notes

in the ordinary course of business: (i) may not tender its Private Notes in the Exchange Offer; and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act.

The Old Notes are designated for trading in the Private Offerings, Resales and Trading through Automated Linkages ("PORTAL") market. There is no established trading market for the Exchange Notes. The Company does not currently intend to list the Exchange Notes on any securities exchange or to seek approval for quotation through any automated quotation system. Accordingly, there can be no assurance as to the development or liquidity of any market for the Exchange Notes.

The Exchange Offer is not conditioned upon any minimum aggregate principal amount of Old Notes being tendered for exchange. The date of acceptance and exchange of the Old Notes (the "Exchange Date") will be the fourth business day following the Expiration Date (as defined). Old Notes tendered pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date. The Company will not receive any proceeds from the Exchange Offer. The Company will pay all of the expenses incident to the Exchange Offer.

For a discussion of certain factors that should be considered in connection with an investment in the Exchange Notes, see "Risk Factors" beginning on page 26.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is _____, 1997

AVAILABLE INFORMATION

The Company has filed with the Commission a Registration Statement on Form S-4 (together with all amendments, exhibits, schedules and supplements thereto, the "Registration Statement") under the Securities Act with respect to the Exchange Notes being offered hereby. This Prospectus, which forms a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement. For further information with respect to the Company and the Exchange Notes, reference is made to the Registration Statement. Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete, and, where such contract or other document is an exhibit to the Registration Statement, each such statement is qualified by the provisions in such exhibit, to which reference is hereby made. The Company is not currently subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As a result of the offering of the Exchange Notes, the Company will become subject to the informational requirements of the Exchange Act, and, in accordance therewith, will file reports and other information with the Commission. The Registration Statement, such reports and other information can be inspected and copied at the Public Reference Section of the Commission located at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549 and at regional public reference facilities maintained by the Commission located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of such material, including copies of all or any portion of the Registration Statement, can be obtained from the Public Reference Section of the Commission at prescribed rates. Such material may also be accessed electronically by means of the Commission's home page on the Internet (http://www.sec.gov).

So long as the Company is subject to the periodic reporting requirements of the Exchange Act, it is required to furnish the information required to be filed with the Commission to the Trustee and the holders of the Old Notes and the Exchange Notes. The Company has agreed that, even if it is not required under the Exchange Act to furnish such information to the Commission, it will nonetheless continue to furnish information that would be required to be furnished by the Company by Section 13 of the Exchange Act to the Trustee and the holders of the Old Notes or Exchange Notes as if it were subject to such periodic reporting requirements.

In addition, the Company has agreed that, for so long as any Old Notes remain outstanding and are required to bear the transfer restriction legend, it will make available to any prospective purchaser of the Old Notes or beneficial owner of the Old Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the Securities Act, until such time as the Company has either exchanged the Old Notes for the Exchange Notes or until such time as the holders thereof have disposed of such Old Notes pursuant to an effective registration statement filed by the Company.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Prospectus. As used in this Prospectus, unless the context requires otherwise: (i) "Businesses" or the "Predecessor" means the operations of Lockheed Martin Corporation and its subsidiaries that were acquired by the Company upon consummation of the Acquisition (as defined), (ii) "L-3" or the "Company" means L-3 Communications Corporation and the Businesses after giving effect to the Acquisition, (iii) "Holdings" means L-3 Communications Holdings, Inc., the Company's sole shareholder and (iv) "Lockheed Martin" means Lockheed Martin Corporation.

The Company

L-3 is a leading provider of sophisticated secure communication systems and specialized communication products including secure, high data rate communication systems, microwave components, avionics, and telemetry and instrumentation products. These systems and products are critical elements of virtually all major communication, command and control, intelligence gathering and space systems. The Company's systems and specialized products are used to connect a variety of airborne, space, ground and sea-based communication systems and are incorporated into the transmission, processing, recording, monitoring and dissemination functions of these communication systems. The Company's customers include the U.S. Department of Defense (the "DoD"), selected U.S. government (the "Government") intelligence agencies, major aerospace/defense prime contractors, foreign governments and commercial customers. In 1996, L-3 had pro forma sales of $675.3 million and pro forma operating income of $56.0 million. The Company's funded backlog as of December 31, 1996 was approximately $542.5 million.

All of the Company's business units enjoy proprietary technologies and capabilities and are well positioned in their respective markets. Management has organized the Company's operations into two business areas: Secure Communication Systems and Specialized Communication Products. In 1996, these areas generated approximately $371.5 million and $303.8 million of pro forma sales, respectively, and $23.0 million and $33.0 million of pro forma operating income, respectively.

Secure Communication Systems. L-3 is the established leader in secure, high data rate communications in support of military and other national agency reconnaissance and surveillance applications. The Company's Secure Communication Systems operations are located in Salt Lake City, Utah and Camden, New Jersey. Both operations are predominantly cost plus, sole source prime system contractors supporting long-term programs for the U.S. Armed Forces and classified customers. The Company's major secure communication programs and systems include: strategic and tactical signal intelligence systems that detect, collect, identify, analyze and disseminate information and related support contracts for military and national agency intelligence efforts; secure data links for airborne, satellite, ground and sea-based information collection and transmission;

as well as secure telephone and network equipment. The Company believes that it has developed virtually every high bandwidth data link used by the military for surveillance and reconnaissance in operation today. In addition to these core Government programs, L-3 is expanding its business base into related commercial communication equipment markets, including applying its wireless communication expertise to develop local wireless loop equipment primarily for emerging market countries and rural areas where existing telecommunications infrastructure is inadequate or non-existent.

Specialized Communication Products. This business area comprises the Microwave Components, Avionics, and Telemetry and Instrumentation Products operations of the Company.

Microwave Components. L-3 is the preeminent worldwide supplier of commercial off-the-shelf, high performance microwave components and frequency monitoring equipment. L-3's microwave products are sold under the industry-recognized Narda brand name through a standard catalog to wireless, industrial and military communication markets. L-3 also provides state-of-the-art communication components including channel amplifiers and frequency filters for the commercial communications satellite market.

Avionics. Avionics includes the Company's Aviation Recorders, Display Systems and Antenna Systems operations. L-3 is the world's leading manufacturer of commercial cockpit voice and flight data recorders ("black boxes"). These recorders are sold under the Fairchild brand name both on an original equipment manufacturer ("OEM") basis to aircraft manufacturers as well as directly to the world's major airlines for their existing fleets of aircraft. L-3 also provides military and high-end commercial displays for use on a number of DoD programs including the F-14, V-22, F-117 and E-2C. Further, L-3 manufactures high performance surveillance antennas and related equipment for U.S. Air Force and U.S. Navy aircraft including the F-16, AWACS, E-2C and B-2, as well as the U.K.'s Nimrod aircraft.

Telemetry and Instrumentation Products. The Company's Telemetry and Instrumentation Products operations develop and manufacture commercial off-the-shelf, real-time data collection and transmission products and components for missile, aircraft and space-based electronic systems. These products are used to gather flight parameter data and other critical information and transmit it from air or space to the ground. Telemetry products are also used for range safety and training applications to simulate battlefield situations. Further, the Company is applying its technical capabilities in high data rate transmission to the medical image archiving market in partnership with the General Electric Company ("GE") through GE's medical systems business area ("GE Medical Systems").

Industry Overview

The defense industry has recently undergone significant changes precipitated by ongoing federal budget pressures and new roles and missions to reflect changing strategic and tactical threats. Since the mid-1980's, the overall U.S. defense budget has declined in real dollars.

In response, the DoD has focused its resources on enhancing its military readiness, joint operations and multiple mission capabilities, and incorporating advanced electronics to improve the performance, reduce operating cost and extend the life expectancy of its existing and future platforms. The emphasis on system interoperability, force multipliers and providing battlefield commanders with real-time data is increasing the electronics content of nearly all of the major military procurement and research programs. As a result, the DoD's budget for communications and defense electronics is expected to grow. According to Federal Sources, an independent private consulting group, the defense budget for command, control, communications and intelligence ("C3I") is expected to increase from $30.0 billion in the fiscal year ended September 30, 1996 to $42.0 billion in the fiscal year ended September 30, 2002, a compound annual growth rate of 5.8%.

The industry has also undergone dramatic consolidation resulting in the emergence of four dominant prime system contractors. One outgrowth of this consolidation among the remaining major prime contractors is their desire to limit purchases of products and sub-systems from one another. Despite this desire, there are numerous essential but non-strategic products, components and systems that are not economical for the major prime contractors to design, develop or manufacture for their own internal use. As the prime contractors continue to evaluate their core competencies and competitive position, focusing their resources on larger programs and platforms, the Company expects the prime contractors will seek to exit non-strategic business areas and procure these needed elements on more favorable terms from independent, commercially oriented merchant suppliers.

The focus on cost control is also driving increased use of commercial off-the-shelf products for both upgrades of existing systems and in new systems. The Company believes the prime contractors will continue to be under pressure to reduce their costs and will increasingly seek to focus their resources and capabilities on major systems, turning to commercially oriented merchant suppliers to produce non-core sub-systems, components and products. Going forward, the successful merchant suppliers will use their resources to complement and support, rather than compete with the prime contractors. L-3 anticipates the relationship between the major prime contractors and their primary suppliers will, as in the automotive industry, develop into critical partnerships encompassing increasingly greater outsourcing of non-core products and systems by the prime contractors to their key merchant suppliers and increasing supplier participation in the development of future programs. Early involvement in the upgrading of existing systems and the design and engineering of new systems incorporating these outsourced products will provide top-tier suppliers, including the Company, with a competitive advantage in securing new business and provide the prime contractors with significant cost reduction opportunities through coordination of the design, development and manufacturing processes.

Business Strategy

L-3 intends to leverage its market position, diverse program base and favorable mix of cost plus to fixed price contracts to enhance its profitability, reduce its indebtedness and to establish itself as the premier merchant supplier of communication systems and products to the major prime contractors in the aerospace/defense industry as well as the Government. The Company's strategy to achieve these objectives includes:

-- Expand Merchant Supplier Relationships. Senior Management (as defined) has developed strong relationships with virtually all of the prime contractors, the DoD and other major government agencies, enabling L-3 to identify business opportunities and anticipate customer needs. As an independent merchant supplier, the Company anticipates its future growth will be driven by expanding its share of existing programs and by participating in new programs. Management has already identified several opportunities where the Company believes it will be able to use its strong relationships to increase its business presence and allow its customers to reduce their costs. The Company also expects to benefit from increased outsourcing by prime contractors who in the past may have limited their purchases to captive suppliers and who are now expected to view L-3's capabilities on a more favorable basis given its status as an independent company.

-- Support Customer Requirements. A significant portion of L-3's sales are derived from high-priority, long-term programs and from programs for which the Company has been the incumbent supplier, and in many cases acted as the sole provider, over many years. Approximately 67% of the Company's total pro forma 1996 sales were generated from sole source contracts. L-3's customer satisfaction and excellent performance record are evidenced by its performance-based award fees exceeding 90% on average over the past two years. Going forward, management believes prime contractors will award long-term, sole source, outsourcing contracts to the merchant supplier they believe is most capable on the basis of quality, responsiveness, design, engineering and program management support as well as cost. Reflecting L-3's strong competitive position, the Company has experienced a contract award win rate over the past two years of approximately 50% on new competitive contracts for which it competes and approximately 90% on contracts for which it is the incumbent. The Company intends to continue to align its research and development, manufacturing and new business efforts to complement its customers' requirements.

-- Leverage Technical and Market Leadership Positions. L-3 has developed strong, proprietary technical capabilities that have enabled it to capture a number one or two market position in most of its key business areas, including secure, high data rate communication systems, solid state aviation recorders, advanced antenna systems and high performance microwave components. Over the past three years, the Company has invested over $100 million in Company-sponsored independent research and development, including bid and proposal costs, in addition to making substantial investments in its technical and manufacturing resources. Further, the Company has a highly skilled workforce including over 1,500

engineers. As an independent company, management intends to leverage its technical expertise and capabilities into several closely aligned commercial business areas and applications, including opportunities in wireless telephony and medical imaging archive management.

-- Maintain Diversified Business Mix. The Company enjoys a diverse business mix with a limited program exposure, a favorable balance of cost plus to fixed price contracts, a significant sole source business and an attractive customer profile. The Company's largest program, representing 14% of 1996 pro forma sales, is a long-term, sole source, cost plus support program for the U-2 program Directorate for the DoD. No other program represented more than 7% of pro forma 1996 sales. Further, the Company's pro forma sales mix of contracts in 1996 was 42% cost plus and 58% fixed price, providing the Company with a balanced mix of predictable profitability (cost plus) and higher margin (fixed price) business. L-3 also enjoys an attractive customer mix of defense and commercial business, with DoD related sales accounting for 65% and commercial and federal (non-DoD) sales accounting for 35% of 1996 pro forma sales. The Company intends to leverage this favorable business profile to expand its merchant supplier business base.

-- Enhance Operating Margins. As part of larger corporations (i.e., Lockheed Martin, Loral, GE, Unisys), the Businesses were historically required to absorb significant corporate expense allocations. As an independent company, L-3 believes that it will be able to leverage its discretionary expenditures in a more focused and efficient manner, enhance its operating performance and reduce overhead expenses reflecting Senior Management's more flexible, entrepreneurial approach. The Company believes that significant costs incurred by the Businesses under Lockheed Martin's ownership will not be incurred going forward. These cost savings include reduced corporate administrative and facilities expenses and certain operating performance improvements.

-- Capitalize on Strategic Acquisition Opportunities. Recent industry consolidation has virtually eliminated traditional middle-tier aerospace/defense companies. This level of consolidation is now beginning to draw the concern of the DoD and federal anti-trust regulators. As a result, the Company anticipates the pending major mergers as well as continued consolidation of the smaller participants in the defense industry will create attractive complementary acquisition candidates for L-3 in the future as these companies continue to evaluate their core competencies and competitive position.

The Transaction

The Acquisition

Holdings and L-3 were formed by Mr. Frank C. Lanza, the former President and Chief Operating Officer of Loral Corporation ("Loral"), Mr. Robert V. LaPenta, the former Senior Vice President and Controller of Loral (collectively, "Senior Management"), Lehman Brothers Capital Partners III, L.P. and its affiliates (the "Lehman Partnership") and Lockheed Martin to acquire (the "Acquisition") substantially all of the assets and certain liabilities of (i) nine business units previously purchased by Lockheed Martin as part of its acquisition of Loral in April

1996 (the "Loral Acquired Businesses") and (ii) one business unit, Communication Systems -- Camden, purchased by Lockheed Martin as part of its acquisition of the aerospace business of GE ("GE Aerospace") in April 1993 (collectively, the "Businesses"). Pursuant to a Transaction Agreement dated March 28, 1997, among the parties named therein (the "Transaction Agreement"), the total consideration paid to Lockheed Martin was $525 million, comprising $480 million of cash before an estimated $20 million reduction related to a purchase price adjustment, and $45 million of common equity being retained by Lockheed Martin. L-3 is a wholly-owned subsidiary of Holdings. Holdings was capitalized with $125 million of common equity, with Messrs. Lanza and LaPenta collectively owning 15.0%, the Lehman Partnership owning 50.1% and Lockheed Martin owning 34.9%. L-3 was capitalized with $125 million of common equity provided by Holdings.

Sources and Uses of Funds

The Acquisition was structured as an asset purchase with customary terms and conditions. Financing for the Acquisition was comprised of: (i) $275 million of Senior Secured Credit Facilities, consisting of $175 million of term loan facilities (the "Term Loan Facilities") and a $100 million revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan Facilities, the "Senior Credit Facilities"); (ii) $225 million of Senior Subordinated Exchange Notes; and (iii) $125 million of equity including the equity to be retained by Lockheed Martin (collectively, the "Financing"). Approximately $480 million of the proceeds from the Financing was used by the Company to (i) pay the estimated $460 million cash portion of the purchase price after an estimated purchase price adjustment and (ii) pay related fees and expenses. The Revolving Credit Facility was not drawn (other than for letters of credit) at the closing of the Transaction (the "Closing") and is available for ongoing working capital financing needs. The following table summarizes the sources and uses of funds in connection with the Transaction.

($ in millions)

Sources of Funds	Amount	Uses of Funds	Amount
Revolving Credit Facility	$ 0.0	Purchase of Assets	
Term Loan Facilities	175.0	Cash Portion	$479.8
Senior Subordinated Notes	225.0	Lockheed Martin Equity in L-3	45.2
Common Equity	125.0		525.0
		Estimated Purchase Price Adjustment	(20.0)
		Estimated Fees and Expenses	20.0
Total Sources	$525.0	Total Uses	$525.0

Availability of up to $100 million, none of which was drawn at Closing other than letters of credit which were less than $10 million.

Includes $45 million of equity of Holdings retained by Lockheed Martin.

The purchase price of $525 million is subject to an adjustment based upon the difference between the audited combined net tangible assets (as defined in the Transaction Agreement) of the Businesses and a contractually agreed-upon amount. It is anticipated that this adjustment, currently estimated to be $20 million, will have the effect of reducing the purchase price. Prior to Closing, Lockheed Martin estimated the purchase price adjustment and reduced the cash portion of the purchase price by $15.9 million. Any difference between the actual purchase price adjustment calculated post-closing and the amount withheld at Closing will be paid, with interest, to the appropriate party.

The Acquisition and the Financing are referred to herein as the "Transaction".

The Exchange Offer

The Exchange Offer	The Company is offering to exchange pursuant to the Exchange Offer up to $225,000,000 aggregate principal amount of its new 10 3/8% Series B Senior Subordinated Notes due 2007 (the "Exchange Notes") for a like aggregate principal amount of its outstanding 10 3/8% Senior Subordinated Notes due 2007 (the "Old Notes" and together with the Exchange Notes, the "Notes"). The terms of the Exchange Notes are identical in all material respects (including principal amount, interest rate and maturity) to the terms of the Old Notes for which they may be exchanged pursuant to the Exchange Offer, except that the Exchange Notes are freely transferrable by Holders (as defined) thereof (other than as provided herein), and are not subject to any covenant regarding registration under the Securities Act. See "The Exchange Offer".
Interest Payments	Interest on the Exchange Notes shall accrue from the last interest payment date (May 1 or November 1) on which interest was paid on the Notes so surrendered or, if no interest has been paid on such Notes, from April 30, 1997 (the "Interest Payment Date").
Minimum Condition	The Exchange Offer is not conditioned upon any minimum aggregate principal amount of Old Notes being tendered for exchange.
Expiration Date; Withdrawal of Tender	The Exchange Offer will expire at 5:00 p.m., New York City time, on , 1997, unless the Exchange Offer is extended, in which case the term "Expiration Date" means the latest date and time to which the Exchange Offer is extended. Tenders may be withdrawn at any time prior to 5:00 p.m., New York City time, on the Expiration Date. See "The Exchange Offer--Withdrawal Rights".
Exchange Date	The date of acceptance for exchange of the Old Notes will be the fourth business day following the Expiration Date.

Conditions to the Exchange Offer	The Exchange Offer is subject to certain customary conditions, which may be waived by the Company. The Company currently expects that each of the conditions will be satisfied and that no waivers will be necessary. See "The Exchange Offer--Certain Conditions to the Exchange Offer". The Company reserves the right to terminate or amend the Exchange Offer at any time prior to the Expiration Date upon the occurrence of any such condition.
Procedures for Tendering Old Notes	Each holder of Old Notes wishing to accept the Exchange Offer must complete, sign and date the Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver such Letter of Transmittal, or such facsimile, together with the Old Notes and any other required documentation to the Exchange Agent (as defined) at the address set forth therein. See "The Exchange Offer--Procedures for Tendering Old Notes" and "Plan of Distribution".
Use of Proceeds	There will be no proceeds to the Company from the exchange of Notes pursuant to the Exchange Offer.
Federal Income Tax Consequences	The exchange of Notes pursuant to the Exchange Offer will not be a taxable event for federal income tax purposes. See "Certain U.S. Federal Income Tax Consequences".
Special Procedures for Beneficial Owners	Any beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on such beneficial owner's own behalf, such beneficial owner must, prior to completing and executing the Letter of Transmittal and delivering the Old Notes, either

	make appropriate arrangements to register ownership of the Old Notes in such beneficial owner's name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time. See "The Exchange Offer--Procedures for Tendering Old Notes".
Guaranteed Delivery Procedures	Holders of Old Notes who wish to tender their Old Notes and whose Old Notes are not immediately available or who cannot deliver their Old Notes, the Letter of Transmittal or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date must tender their Old Notes according to the guaranteed delivery procedures set forth in "The Exchange Offer--Procedures for Tendering Old Notes".
Acceptance of Old Notes and Delivery of Exchange Notes . .	The Company will accept for exchange any and all Old Notes which are properly tendered in the Exchange Offer prior to 5:00 p.m., New York City time, on the Expiration Date. The Exchange Notes issued pursuant to the Exchange Offer will be delivered promptly following the Expiration Date. See "The Exchange Offer--Acceptance of Old Notes for Exchange; Delivery of Exchange Notes".
Effect on Holders of Old Notes .	As a result of the making of, and upon acceptance for exchange of all validly tendered Old Notes pursuant to the terms of this Exchange Offer, the Company will have fulfilled a covenant contained in the Registration Rights Agreement (the "Registration Rights Agreement") dated April 30, 1997 among the Company and Lehman Brothers Inc. and BancAmerica Securities, Inc. (the "Initial Purchasers") and, accordingly, there will be no increase in the interest rate on the Old Notes pursuant to the terms of the Registration Rights Agreement, and the holders of the Old Notes will have no further registration or other rights under the Registration Rights Agreement. Holders of the Old Notes who do not tender their Old Notes in the Exchange Offer will continue to

	hold such Old Notes and will be entitled to all the rights and limitations applicable thereto under the Indenture between the Company and The Bank of New York relating to the Old Notes and the Exchange Notes (the "Indenture"), except for any such rights under the Registration Rights Agreement that by their terms terminate or cease to have further effectiveness as a result of the making of, and the acceptance for exchange of all validly tendered Old Notes pursuant to, the Exchange Offer. All untendered Old Notes will continue to be subject to the restrictions on transfer provided for in the Old Notes and in the Indenture. To the extent that Old Notes are tendered and accepted in the Exchange Offer, the trading market for untendered Old Notes could be adversely affected.
Consequence of Failure to Exchange	Holders of Old Notes who do not exchange their Old Notes for Exchange Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Old Notes as set forth in the legend thereon as a consequence of the offer or sale of the Old Notes pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Old Notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. The Company does not currently anticipate that it will register the Old Notes under the Securities Act.
Exchange Agent	The Bank of New York is serving as exchange agent (the "Exchange Agent") in connection with the Exchange Offer. See "The Exchange Offer--Exchange Agent".

Terms of the Exchange Notes

Securities Offered	$225,000,000 aggregate principal amount of 10 3/8% Senior Subordinated Exchange Notes due 2007 (the "Exchange Notes").
Maturity	May 1, 2007.
Interest Payment Dates	May 1 and November 1, commencing November 1, 1997.
Optional Redemption	The Exchange Notes may be redeemed at the option of the Company, in whole or in part, on or after May 1, 2002, at the redemption prices set forth herein, plus accrued and unpaid interest to the date of redemption. In addition, prior to May 1, 2000, the Company may redeem up to an aggregate of 35% of the Exchange Notes originally issued at a redemption price of 109.375% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption, with the net cash proceeds of one or more Equity Offerings; provided, however, that at least 65% in aggregate principal amount of the Exchange Notes originally issued remain outstanding following such redemption.
Change of Control	In the event of a Change of Control (as defined), the holders of the Exchange Notes will have the right to require the Company to purchase their Exchange Notes at a price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest to the date of purchase.
Ranking	The Exchange Notes will be general unsecured obligations of the Company, subordinate in right of payment to all current and future Senior Debt including all obligations of the Company and its Subsidiaries under the Senior Credit Facilities. The Company currently has no subsidiaries. At June 30, 1997, on a pro forma basis after giving effect to the Transaction, the Company would have had $400.0 million of indebtedness outstanding, of which $175.0 million would have been Senior Debt (excluding

	letters of credit). Borrowings under the Senior Credit Facilities are secured by substantially all of the assets of the Company as well as the capital stock of the Company and its Subsidiaries. See "Risk Factors--Substantial Leverage" and "--Subordination".
Covenants	The Indenture pursuant to which the Exchange Notes will be issued (the "Indenture") contains certain covenants that, among other things, limit the ability of the Company and its Restricted Subsidiaries to incur additional Indebtedness and issue preferred stock, pay dividends or make other distributions, repurchase Equity Interests (as defined) or subordinated Indebtedness, create certain liens, enter into certain transactions with affiliates, sell assets of the Company or its Restricted Subsidiaries, issue or sell Equity Interests of the Company's Restricted Subsidiaries or enter into certain mergers and consolidations. In addition, under certain circumstances, the Company is required to offer to purchase Exchange Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase, with the proceeds of certain Asset Sales (as defined). See "Description of the Exchange Notes".

For a discussion of certain risk factors that should be considered in connection with an investment in the Exchange Notes, see "Risk Factors".

Summary Unaudited Pro Forma Financial Data

The summary unaudited pro forma data as of June 30, 1997 and for the six months then ended and as of December 31, 1996 and for the year then ended have been derived from, and should be read in conjunction with, the unaudited pro forma combined financial statements included elsewhere herein. The unaudited pro forma data reflect the Acquisition and the Financing as if these transactions had occurred on January 1, 1996 for the statement of operations and other data.

	Six Months Ended June 30, 1997	Year Ended December 31, 1996
	($ in millions)	
Statement of Operations Data:		
Sales:		
Secure Communication Systems	$176.1	$371.5
Specialized Communication Products	150.8	303.8
Total sales	$326.9	$675.3
Other Data:		
EBITDA:		
Secure Communication Systems	$ 14.6	$ 41.6
Specialized Communication Products	23.2	42.4
Total EBITDA	$ 37.8	$ 84.0
EBITDA as a percentage of sales:		
Secure Communication Systems	8.3%	11.2%
Specialized Communication Products	15.4	14.0
Total EBITDA as a percentage of sales	11.6%	12.4%
Depreciation expense	$ 9.0	$ 18.0
Amortization expense	4.7	10.0
Capital expenditures	7.4	17.2
Ratio of earnings to fixed charges	1.23x	1.35x
Ratio of total EBITDA to cash interest expense	3.95x	2.18x
Ratio of total debt to total EBITDA	N/A	4.76x

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EBITDA is defined as pro forma income before deducting interest expense, income taxes, depreciation and amortization. EBITDA is not a substitute for operating income, net income and cash flow from operating activities as determined in accordance with generally accepted accounting principles as a measure of profitability or liquidity. EBITDA is presented as additional information because management believes it to be a useful indicator of the Company's ability to meet debt service and capital expenditure requirements and because certain debt covenants of L-3 utilize EBITDA to measure compliance with such covenants.

For purposes of this computation, earnings consist of income before income taxes plus fixed charges. Fixed charges consist of interest on indebtedness plus that portion of lease rental expense representative of the interest factor.

For purposes of this computation, cash interest expense consists of pro forma interest expense before amortization of deferred financing costs.

Summary Historical Financial Data

The following unaudited summary combined financial data as of June 30, 1997 and 1996 and for the six month periods then ended, has been derived from, and should be read in conjunction with, the unaudited interim condensed consolidated (combined) financial statements of the Company and footnotes thereto included elsewhere herein. In the opinion of the management, the unaudited condensed consolidated (combined) financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the information contained therein. Results for the interim periods are not necessarily indicative of the results to be expected for the entire year.

The summary combined financial data as of March 31, 1997 and for the three month period ended March 31, 1997 and as of December 31, 1996 and 1995 and for the years ended December 31, 1996, 1995 and 1994 have been derived from, and should be read in conjunction with, the audited Combined Financial Statements of the Businesses and footnotes thereto included elsewhere herein.

The unaudited summary combined financial data for the three month period ended March 31, 1996 and as of December 31, 1994 and 1993, March 31, 1993 and December 31, 1992 for balance sheet data and the nine months ended December 31, 1993, the three months ended March 31, 1993 and the year ended December 31, 1992 for statement of operations data have been derived from the unaudited financial statements of Communication Systems -- Camden. In the opinion of the Businesses' management, such unaudited financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position and results of operations of Communication Systems -- Camden, also referred to as Lockheed Martin Communication Systems Division in the Lockheed Martin Predecessor Financial Statements, as of the dates and periods indicated. These selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the condensed consolidated (combined) financial statements of the Company and the Combined Financial Statements of the Lockheed Martin Predecessor Businesses and the Loral Acquired Businesses included elsewhere herein.

	Six Months Ended June 30, 1997				
	Three Months Ended		Six Months Ended	For the Three Months Ended March 31,	
	June 30, 1997	March 31, 1997	June 30, 1996	1997	1996
Statement of Operations Data:					
Sales	$168.0	$158.9	$206.4	$158.9	$41.2
Operating income	15.1	7.9	10.9	7.9	1.7
Interest expense	10.0	8.4	9.4	8.4	2.0
Provision (benefit) for income taxes	2.0	(.2)	1.3	(.2)	.2
Net earnings (loss)	3.1	(.3)	.2	(.3)	(.5)
Other Data:					
EBITDA	$ 22.3	$ 15.1	$ 21.2	$ 15.1	$4.8
Depreciation expense	4.5	4.5	5.8	4.5	1.2
Amortization expense	2.7	2.7	4.5	2.7	1.9
Capital expenditures	3.1	4.3	4.7	4.3	.4
Ratio of earnings to fixed charges	1.47x		1.02x		
Cash from (used in) operating activities	32.9	(16.3)	(29.4)	(16.3)	10.2
Cash from (used in) investing activities	(473.6)	(4.3)	(292.0)	(4.3)	(.4)
Cash from (used in) financing activities	463.3	20.6	321.4	20.6	(9.8)
Balance Sheet Data:					
Working capital	$117.6	$121.4	N/A	$ 121.4	N/A
Total assets	680.9	608.5	N/A	608.5	N/A
Invested equity	--	493.9	N/A	493.9	N/A
Shareholders' Equity	120.6	--	N/A	--	N/A

	Years Ended December 31,						
				1993			
				Nine Months Ended	Three Months Ended		
	1996	1995	1994	Dec. 31	March 31	1992	
	($ in millions)						
Statement of Operations Data:							
Sales	$543.1	$166.8	$218.9	$200.0	$67.8	$368.5	
Operating income	43.7	4.7	8.4	12.4	5.1	49.3	
Interest expense	24.2	4.5	5.5	4.1	--	--	
Provision (benefit) for income taxes	7.8	1.2	2.3	3.8	2.0	19.8	
Net earnings (loss)	11.7	(1.0)	0.6	4.5	3.1	29.5	
Other Data:							
EBITDA	$ 68.7	$ 16.2	$ 19.9	$ 23.4	$ 7.0	$ 58.5	
Depreciation expense	14.9	5.5	5.4	6.1	1.8	8.9	
Amortization expense	10.1	6.1	6.1	4.9	0.1	0.3	
Capital expenditures	13.5	5.5	3.7	2.6	0.8	3.9	
Ratio of earnings to fixed charges	1.72x	1.03x	1.40x	N/A	N/A	N/A	
Cash from (used in) operating activities	40.0	9.4	21.8	N/A	N/A	N/A	
Cash from (used in) investing activities	(298.2)	(5.5)	(3.7)	N/A	N/A	N/A	
Cash from (used in) financing activities	267.3	(3.8)	(18.1)	N/A	N/A	N/A	
Balance Sheet Data:							
Working capital	$ 98.8	$ 21.1	$ 19.3	$ 24.7	$22.8	$ 35.8	
Total assets	593.3	228.5	233.3	241.7	93.5	105.1	
Invested equity	473.6	194.7	199.5	202.0	59.9	72.8	
Shareholders' Equity	--	--	--	--	--	--	

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Reflects ownership of Loral's Communication Systems -- Salt Lake and Specialized Communication Products businesses commencing April 1, 1996.

Reflects ownership of Communication Systems -- Camden by Lockheed Martin commencing April 1, 1993.

Reflects ownership of Communication Systems -- Camden by GE Aerospace for the periods indicated. The amounts shown herein include only those amounts as reflected in the financial records of Communication Systems -- Camden.

For periods prior to April 1, 1997, interest expense and income tax (benefit) provision were allocated from Lockheed Martin.

EBITDA is defined as income before deducting interest expense, income taxes, depreciation and amortization. EBITDA is not a substitute for operating income, net earnings and cash flow from operating activities as determined in accordance with generally accepted accounting principles as a measure of profitability or liquidity. EBITDA is presented as additional information because management believes it to be a useful indicator of the Company's ability to meet debt service and capital expenditure requirements and because certain debt covenants of L-3 utilize EBITDA to measure compliance with such covenants.

For the three months ended March 31, 1997 and 1996, earnings were insufficient to cover fixed charges by $.5 million and $.4 million, respectively.

RISK FACTORS

Holders of Old Notes should consider carefully, in addition to the other information contained in this Prospectus, the following factors before deciding to tender Old Notes in the Exchange Offer. The risk factors set forth below are generally applicable to the Old Notes as well as the Exchange Notes.

Consequences of Failure to Exchange

Holders of Old Notes who do not exchange their Old Notes for Exchange Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Old Notes as set forth in the legend thereon. In general, Old Notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Company does not currently intend to register the Old Notes under the Securities Act. Based on interpretations by the staff of the Commission, the Company believes that Exchange Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold or otherwise transferred by Holders thereof (other than any such Holder which is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Old Notes were acquired in the ordinary course of such Holders' business and such Holders have no arrangement with any person to participate in the distribution of such Exchange Notes. Each broker-dealer that receives Exchange Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See "Plan of Distribution." To the extent that Old Notes are tendered and accepted in the Exchange Offer, the trading market for untendered and tendered but unaccepted Old Notes will be adversely affected.

Lack of Market for the Exchange Notes

The Exchange Notes are being offered to the holders of the Old Notes. The Old Notes were offered and sold in April 1997 to a small number of institutional investors and are eligible for trading in the Private Offerings, Resale and Trading through Automatic Linkages (PORTAL) Market.

The Company does not intend to apply for a listing of the Exchange Notes on a securities exchange or on any automated dealer quotation system. There is currently no established market for the Exchange Notes and there can be no assurance as to the liquidity of markets that may develop for the Exchange Notes, the ability of the holders of the Exchange Notes to sell their Exchange Notes or the price at which such holders would be able to sell their Exchange Notes. If such markets were to exist, the Exchange Notes could trade at prices that may be lower than the initial market value thereof depending on many factors, including prevailing interest rates and the markets for similar securities. The Exchange Notes are expected to be designated for trading in the PORTAL market. The Initial Purchasers have advised the Company that they currently intend to make a market with respect to the Exchange Notes. However, the Initial Purchasers are not obligated to do so, and any market

making with respect to the Exchange Notes may be discontinued at any time without notice. In addition, such market making activity may be limited during the pendency of the Exchange Offer or the effectiveness of a shelf registration statement in lieu thereof. Because Lehman Brothers Inc. is an affiliate of the Company, following consummation of the Exchange Offer Lehman Brothers Inc. will be required to deliver a current "market-maker" prospectus and otherwise comply with the registration requirements of the Securities Act in connection with any secondary market sale of the New Exchange Notes, which may affect its ability to continue market-making activities. See "Notice to Investors" and "Plan of Distribution".

The liquidity of, and trading market for, the Notes also may be adversely affected by general declines in the market for similar securities. Such a decline may adversely affect such liquidity and trading markets independent of the financial performance of, and prospects for, the Company.

The liquidity of, and trading market for, the Exchange Notes also may be adversely affected by general declines in the market for similar securities.

Substantial Leverage

The Company incurred substantial indebtedness in connection with the Transaction and the Company is highly leveraged. To effect the Transaction, the Company incurred $400 million of indebtedness (excluding letters of credit) in addition to equity contributions of approximately $116 million (after giving effect to EITF 88-16 (as defined) accounting treatment relating to basis in leveraged buyout transactions by Holdings). Of the total $525 million used to consummate the Acquisition, $175 million (33.3%) was supplied by the Senior Credit Facilities, $225 million (42.9%) was supplied by the Old Exchange Notes, and, through Holdings, $80 million (15.2%) was supplied by equity purchases by the Lehman Partnership and Senior Management and $45 million (8.6%) contributed through equity retention in L-3 by Lockheed Martin. After giving pro forma effect to the Transaction, the Company's ratio of earnings to fixed charges would have been 1.35:1 for the year ended December 31, 1996, and for the three months ended March 31, 1997, pro forma earnings would have been insufficient to cover fixed charges by $.9 million. The Company's actual ratio of earnings to fixed charges for the three months ended June 30, 1997 was 1.47:1. The Company may incur additional indebtedness in the future, subject to limitations imposed by the Senior Credit Facilities and the Indenture.

Based upon the current level of operations and anticipated improvements, management believes that the Company's cash flow from operations, together with available borrowings under the Revolving Credit Facility, will be adequate to meet its anticipated requirements for working capital, capital expenditures, research and development expenditures, program and other discretionary investments, interest payments and scheduled principal payments for the foreseeable future. There can be no assurance, however, that the Company's business will continue to generate cash flow at or above current levels or that currently anticipated improvements will be achieved. If the Company is unable to generate sufficient cash flow from operations in the future to service its debt, it may be required to sell assets, reduce capital expenditures, refinance all or a portion of its existing debt (including the Notes) or obtain additional financing. The Company's ability to make

scheduled principal payments of, to pay interest on or to refinance its indebtedness (including the Notes) depends on its future performance and financial results, which, to a certain extent, are subject to general economic, financial, competitive, legislative, regulatory and other factors beyond its control. There can be no assurance that sufficient funds will be available to enable the Company to service its indebtedness, including the Notes, or make necessary capital expenditures and program and other discretionary investments. See "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The degree to which the Company is leveraged could have important consequences to Holders of the Notes, including, but not limited to, the following: (i) a substantial portion of the Company's cash flow from operations will be required to be dedicated to debt service and will not be available for other purposes including capital expenditures, research and development expenditures, and program and other discretionary investments; (ii) the Company's ability to obtain additional financing in the future could be limited; (iii) certain of the Company's borrowings are at variable rates of interest, which could result in higher interest expense in the event of increases in interest rates; (iv) the Company may be more vulnerable to downturns in its business or in the general economy and may be restricted from making acquisitions, introducing new technologies and products or exploiting business opportunities; and (v) the Senior Credit Facilities and the Indenture contain financial and restrictive covenants that limit, among other things, the ability of the Company to borrow additional funds, dispose of assets or pay cash dividends. Failure by the Company to comply with such covenants could result in an event of default which, if not cured or waived, could have a material adverse effect on the Company. In addition, the degree to which the Company is leveraged could prevent it from repurchasing all Notes tendered to it upon the occurrence of a Change in Control, which would constitute an Event of Default under the Indenture. See "Description of the Exchange Notes" and "Description of Senior Credit Facilities".

Lack of Independent Operating History

Prior to the consummation of the Transaction, the Company's operations were conducted as divisions of Lockheed Martin, Loral, Unisys and GE Aerospace. Following consummation of the Transaction the Company operates independently of Lockheed Martin and is required to provide many corporate services on a stand-alone basis that were previously provided by Lockheed Martin, including corporate research and development, marketing, and general and administrative services including tax, treasury, management information systems, human resources and legal services. The result of operations of the Predecessor Company reflects the allocation of overhead costs, financing costs, income taxes, pension and post employment benefit costs, among other costs, that differ from the manner the Registrant will conduct its business as a separate entity. Lockheed Martin and the Company have entered into a Transition Services Agreement pursuant to which Lockheed Martin provides certain of these services at costs consistent with past practices to the Company until December 31, 1997 (or in the case of Communication Systems -- Camden for a period of up to 18 months after the Closing). There can be no assurance that the actual corporate services costs incurred in operating the Company will not exceed historical charges or that upon termination of the Transition Services Agreement the Company will be able to obtain similar services on comparable terms.

Future Acquisition Strategy

The Company's strategy includes pursuing additional acquisitions that will complement its business. There can be no assurance, however, that the Company will be able to identify additional acquisition candidates on commercially reasonable terms or at all or that, if consummated, any anticipated benefits will be realized from such future acquisitions. In addition, the availability of additional acquisition financing cannot be assured and, depending on the terms of such additional acquisitions, could be restricted by the terms of the Senior Credit Facilities and/or the Indenture. The process of integrating acquired operations into the Company's existing operations may result in unforeseen operating difficulties and may require significant financial and managerial resources that would otherwise be available for the ongoing development or expansion of the Company's existing operations. Possible future acquisitions by the Company could result in the incurrence of additional debt, contingent liabilities and amortization expenses related to goodwill and other intangible assets, all of which could materially adversely affect the Company's financial condition and operating results.

Technological Change; New Product Development

The communication equipment industry for defense applications and in general is characterized by rapidly changing technology. The Company's ability to compete successfully in this market will depend on its ability to design, develop, manufacture, assemble, test, market and support new products and enhancements on a timely and cost-effective basis. The Company has historically obtained technology from substantial customer-sponsored research and development as well as from internally funded research and development; however, there can be no assurance that the Company will continue to maintain comparable levels of customer-sponsored research and development in the future. See "Business--Research and Development". Substantial funds have been allocated to capital expenditures and program and other discretionary investments in the past and will continue to be required in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations". There can be no assurance that the Company will successfully identify new opportunities and continue to have financial resources to develop new products in a timely or cost-effective manner, or that products and technologies developed by others will not render the Company's products and systems obsolete or non-competitive.

Entry into Commercial Business

The Company's revenues historically have been derived principally from business with the DoD and other government agencies. In addition to continuing to pursue this major market area, the Company intends to pursue a strategy that leverages the technical capabilities and expertise derived from its defense business to expand further into related commercial markets. Certain of the Company's commercial products, such as fixed wireless loop communication equipment and medical image archiving equipment, have only been recently introduced. As such, these new products are subject to certain risks, including the need to develop and maintain marketing, sales and customer support capabilities, to secure third-party manufacturing and distribution arrangements, to respond to rapid technological advances and, ultimately, to customer acceptance of these products. The Company's efforts to expand its presence in the commercial

market will require significant resources including capital and management time. There can be no assurance that the Company will be successful in addressing these risks or in developing these commercial business opportunities.

Pension Plan Liabilities

The Transaction Agreement (as defined) provides that Lockheed Martin transfer certain assets to Holdings and L-3 and that Holdings and L-3 assume certain liabilities relating to defined benefit pension plans for present and former employees and retirees of certain businesses being transferred to Holdings and L-3. Lockheed Martin received a letter from the Pension Benefit Guaranty Corporation (the "PBGC") which requested information regarding the transfer of such pension plans. The PBGC's letter indicated that it believed certain of the employee pension plans are underfunded using the PBGC's actuarial assumptions (which assumptions result in a larger liability for accrued benefits than the assumptions used for financial reporting under Statement of Financial Accounting Standards No. 87, "Accounting for Pension Costs" ("FASB 87")). The Company has calculated the net funding position of the pension plans to be transferred and believes the plans to be overfunded by approximately $1 million under ERISA (as defined) assumptions, underfunded by approximately $9 million under FASB 87 assumptions and, on a termination basis, underfunded by as much as $51 million under PBGC assumptions. Substantially all of the PBGC underfunding is related to two pension plans covering employees at L-3's Communication Systems -- Salt Lake and Aviation Recorders businesses.

The Company, Lockheed Martin and the PBGC entered into certain agreements that include Lockheed Martin providing a commitment to the PBGC with regard to the Subject Plans (as defined) and the Company providing certain assurances to Lockheed Martin regarding such plans. See "Business--Pension Plans". The Company expects, based in part upon discussions with its consulting actuaries, that any increase in pension expenses or future funding requirements from those previously anticipated for the Subject Plans would not be material. However, there can be no assurance that the impact of any increased pension expenses or funding requirements under this arrangement would not be material to the Company.

Significant Customers

The Company's sales are predominantly derived from contracts with agencies of, and prime contractors to, the Government. Although the various branches of the Government are subject to the same budgetary pressures and other factors, the various Government customers exercise independent purchasing decisions. The U.S. defense budget has declined in real terms since the mid-1980s, resulting in delays for some new program starts, program stretch-outs and program cancellations. The U.S. defense budget has begun to stabilize and increased modestly in fiscal 1996. In 1996, the Company performed under approximately 180 contracts with value exceeding $1 million for the Government. Pro forma sales in 1996 to the Government, including pro forma sales to the Government through prime contractors, were $529 million, representing approximately 78.4% of the Company's corresponding sales. The Company's largest Government program, a cost plus, sole source contract for support of the U-2 Directorate of the DoD, contributed 14% of pro forma sales for 1996. No other program represented more than 7% of the Company's pro forma sales in 1996. The

loss of all or a substantial portion of sales to the Government would have a material adverse effect on the Company's income and cash flow. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Government Contracts".

Historical sales by the Company to Lockheed Martin were $70.7 million in 1996 or 13.0% of the Company's total reported historical sales. As a part of the Acquisition, the Company and Lockheed Martin intend to enter into certain purchase agreements for the sale of products and systems to Lockheed Martin by the Company. The loss of all or a substantial portion of such sales to Lockheed Martin would have a material adverse effect on the Company's income and cash flow.

Dependence on Lockheed Martin

In addition to the above-mentioned sales to Lockheed Martin, the Company continues to be dependent on Lockheed Martin for certain services and continuing agreements. Lockheed Martin has agreed to indemnify the Company, subject to certain limitations, for its breach of representations and warranties contained in the Transaction Agreement. Lockheed Martin also has agreed to provide to the Company certain corporate services of a type currently provided to the Businesses at costs consistent with past practices. The Company and Lockheed Martin have entered into (i) supply agreements which reflect existing intercompany work transfer agreements or similar support arrangements with prices and other terms consistent with the present intercompany arrangements, (ii) certain subleases of real property and (iii) cross-licenses of intellectual property. There can be no assurance that, after the termination of these arrangements, the Company will be able to obtain these services or arrangements at comparable costs. Further, Lockheed Martin and Holdings have entered into a Limited Non-Competition Agreement (the "Noncompetition Agreement") which, for up to three years, in certain circumstances, after the Closing, precludes Lockheed Martin from engaging in the sale of any products that compete with the products of L-3 that are set forth in the Noncompetition Agreement for specifically identified applications of the products. Under the Noncompetition Agreement, Lockheed Martin is prohibited, with certain exceptions, from acquiring any business engaged in the sale of the specified products referred to in the preceding sentence, although Lockheed Martin may acquire such a business provided that it offers to sell such business to L-3 within 90 days of its acquisition. The Noncompetition Agreement does not, among other things, (i) apply to businesses operated and managed by Lockheed Martin on behalf of the United States government, (ii) prohibit Lockheed Martin from engaging in any existing businesses and planned businesses or businesses as of the closing of the Transaction that are reasonably related to existing or planned businesses or (iii) apply to selling competing products where such products are part of larger systems sold by Lockheed Martin. The Company has also entered into agreements with Lockheed Martin relating to the PBGC matter discussed above.

Dependence on Key Personnel

The Company's success depends to a significant degree upon the continued contributions of the Company's management, including Messrs. Lanza and LaPenta, and its ability to attract and retain other highly qualified management and technical personnel. As part of the Transaction, Messrs. Lanza and LaPenta invested $15 million to purchase 15% of the initial capital stock of the Company. The Company has entered into employment agreements with Messrs. Lanza and LaPenta. The Company maintains key man life insurance to cover Senior Management. The Company also faces competition for management and technical personnel from other companies and organizations. There can be no assurance that the Company

will be successful in hiring and retaining key personnel. See "Management--Directors and Executive Officers".

Environmental Liabilities

The Company's operations are subject to various federal, state and local environmental laws and regulations relating to the discharge, storage, treatment, handling, disposal and remediation of certain materials, substances and wastes used in or resulting from its operations. The Company continually assesses its obligations and compliance with respect to these requirements. Based on a review by an independent environmental consulting firm and its own internal assessments, management believes that the Company's current operations are in substantial compliance with all existing applicable environmental laws and regulations. New environmental protection laws that will be effective in 1997 and thereafter may require the installation of environmental protection equipment at the Company's manufacturing facilities. However, the Company does not believe that its environmental expenditures, if any, will have a material adverse effect on its financial condition or results of operations.

Pursuant to the Transaction Agreement, the Company has agreed to assume certain on-site and off-site environmental liabilities related to events or activities occurring prior to the consummation of the Transaction. Lockheed Martin has agreed to retain all environmental liabilities for all facilities no longer used by the Businesses and to indemnify fully the Company for such prior site environmental liabilities. Lockheed Martin has also agreed, for the first eight years following the Closing, to pay 50% of all costs incurred by the Company above those reserved for on the Company's balance sheet at closing relating to certain Company-assumed environmental liabilities and, for the seven years thereafter, to pay 40% of certain reasonable operation and maintenance costs relating to any environmental remediation projects undertaken in the first eight years. The Company is aware of environmental contamination at two of its facilities that will require ongoing remediation. Management believes that the Company has established adequate reserves for the potential costs associated with the assumed environmental liabilities. However, there can be no assurance that any costs incurred will be reimbursable from the Government or covered by Lockheed Martin under the terms of the Transaction Agreement or that the Company's environmental reserves will be sufficient.

Litigation

From time to time the Company is involved in legal proceedings arising in the ordinary course of its business. As part of the Acquisition, the Company has agreed to assume certain litigation relating to the Businesses and Lockheed Martin has agreed to indemnify the Company, up to certain limits, for a breach of its representations and warranties. Management believes it is adequately reserved for these liabilities and that there is no litigation pending that could have a material adverse effect on the Company or its operations, except as discussed below.

As of June 30, 1997, the Company and Universal Avionics Systems Corporation ("Universal") has reached a settlement with respect to a lawsuit brought by Universal against the Company's Aviation Recorders operation ("Aviation Recorders"). The terms of this settlement will not

have a material adverse effect on the Company's financial condition or results of operations.

Risks Inherent in Government Contracts

The reduction in the U.S. defense budget has caused most defense-related government contractors to experience declining revenues, increased pressure on operating margins and, in few cases, net losses. The Company has experienced declining sales in each of its last five fiscal years. Specifically, adjusted sales of the Company and its predecessors have decreased from $925.5 million for the fiscal year ended December 31, 1992 to $664.7 million for the fiscal year ended December 31, 1996. A significant further decline in U.S. military expenditures could materially adversely affect the Company's sales and earnings. The loss or significant curtailment of a material program in which the Company participates could also materially adversely affect the Company's future sales and earnings and thus the Company's ability to meet its financial obligations.

Companies engaged primarily in supplying defense-related equipment and services to government agencies are subject to certain business risks peculiar to the defense industry. These risks include, among other things, the ability of the Government to: (i) suspend unilaterally the Company from receiving new contracts pending resolution of alleged violations of procurement laws or regulations, (ii) terminate existing contracts, (iii) audit the Company's contract related costs and fees, including allocated indirect costs, and (iv) control and potentially prohibit the export of the Company's products.

All of the Company's Government contracts are, by their terms, subject to termination by the Government either for its convenience or for default of the contractor. Termination for convenience provisions provide only for the recovery by the Company of costs incurred or committed, settlement expenses and profit on work completed prior to termination. Termination for default provisions provide for the contractor to be liable for excess costs incurred by the Government in procuring undelivered items from another source. In addition to the right of the Government to terminate, Government contracts are conditioned upon the continuing availability of Congressional appropriations. Congress usually appropriates funds for a given program on a fiscal-year basis even though contract performance may take more than one year. Consequently, at the outset of a major program, the contract is usually partially funded, and additional monies are normally committed to the contract by the procuring agency only if, as and when appropriations are made by Congress for future fiscal years. Foreign defense contracts generally contain comparable provisions relating to termination at the convenience of the government.

The Company is subject to audit and review by the Government of its costs and performance on, and accounting and general business practices relating to, Government contracts. The Company's contract related costs and fees, including allocated indirect costs, are subject to adjustment based on the results of such audits. In addition, under Government purchasing regulations, certain of the Company's costs, including certain financing costs, goodwill, portions of research and development costs, and certain marketing expenses may not be reimbursable under Government contracts. Further, as a government contractor, the Company is also subject to investigation, legal action and/or liability that would not apply to a commercial company.

The Company, like all defense businesses, is subject to risks associated with the frequent need to bid on programs in advance of design completion (which may result in unforeseen technological difficulties and/or cost overruns), the substantial time and effort required for relatively unproductive design and development, design complexity and rapid obsolescence, and the constant necessity for design improvement. The Company obtains many of its Government contracts through a process of competitive bidding. There can be no assurance that the Company will continue to be successful in winning competitively awarded contracts or that awarded contracts will generate sufficient sales to result in profitability for the Company. See "Business--Major Customers" and "--Government Contracts".

In addition to these Government contract risks, many of the Company's products and systems require licenses from Government agencies for export from the United States, and certain of the Company's products currently are not permitted to be exported. There can be no assurance that the Company will be able to gain any and all licenses required to export its products, and failure to receive the required licenses could materially reduce the Company's ability to sell its products outside the United States.

The Company's services are provided primarily through fixed price or cost plus contracts. Approximately 58% of the Company's pro forma sales in 1996 were attributable to fixed price contracts. The financial results of long-term fixed price contracts are recognized using the cost-to-cost percentage-of-completion method. As a result, revisions in revenues and profit estimates are reflected in the period in which the conditions that require such revisions become known and are estimable. The risks inherent in long-term fixed price contracts include the difficulty of forecasting costs and schedules, contract revenues that are related to performance in accordance with contract specifications and potential for component obsolescence in connection with long-term procurements. Failure to anticipate technical problems, estimate costs accurately or control costs during performance of a fixed price contract may reduce the Company's profitability or cause a loss. Although the Company believes that adequate provision for its fixed price contracts is reflected in its financial statements, no assurance can be given that this provision is adequate or that losses on fixed price and time-and-material contracts will not occur in the future.

Backlog

The Company's backlog represents orders under contracts which are primarily with the Government. The Government enjoys broad rights to unilaterally modify or terminate such contracts. Accordingly, most of the Company's backlog is subject to modification and termination at the Government's will. There can be no assurance that the Company's backlog will become revenues in any particular period or at all. Further, there can be no assurance that the margins on any contract included in backlog that does become revenue will be profitable.

Competition

The communications equipment industry for defense applications and as a whole is highly competitive. Declining defense budgets and increasing pressures for cost reductions have precipitated a major consolidation in

the defense industry. The DoD's increased use of commercial off-the-shelf products and components in military equipment is expected to increase the entrance of new competitors. In addition, consolidation has resulted in delays in contract funding or awards and significant predatory pricing pressures associated with increased competition and reduced funding. The Company expects that the emergence of merchant suppliers will increase competition for OEM business. The Company's ability to compete for defense contracts depends to a large extent on the effectiveness and innovativeness of its research and development programs, its ability to offer better program performance than its competitors at a lower cost to the Government customer and its readiness in facilities, equipment and personnel to undertake the programs for which it competes. In some instances, programs are sole source or work directed by the Government to a single supplier. In such cases, there may be other suppliers who have the capability to compete for the programs involved, but they can only enter or reenter the market if the Government should choose to reopen the particular program to competition. Many of the Company's competitors are larger and have substantially greater financial and other resources than the Company. See "Business--Competition".

Ownership of Holdings and the Company

The Lehman Partnership owns a majority of the outstanding voting stock of Holdings, which owns all of the outstanding common stock of the Company. By virtue of such ownership, the Lehman Partnership has the power to direct the affairs of the Company and is able to determine the outcome of substantially all matters required to be submitted to stockholders for approval, including the election of a majority of the Company's directors and, except to the extent otherwise required by law, amendment of the Company's Certificate of Incorporation. See "The Transaction" and "Ownership of Capital Stock".

Subordination

The Company's obligations under the Notes are subordinate and junior in right of payment to all existing and future Senior Debt of the Company. As of June 30, 1997, on a pro forma basis after giving effect to the Transaction, the Company would have had approximately $400 million of indebtedness outstanding, of which $175 million would have been Senior Debt (excluding letters of credit). Additional Senior Debt may be incurred by the Company from time to time, subject to certain restrictions. By reason of such subordination, in the event of an insolvency, liquidation, or other reorganization of the Company, the lenders under the Senior Credit Facilities and other creditors who are holders of Senior Debt must be paid in full before the holders of the Notes may be paid; accordingly, there may be insufficient assets remaining after payment of prior claims to pay amounts due on the Notes. In addition, under certain circumstances, no payments may be made with respect to the Notes if a default exists with respect to certain Senior Debt. See "Description of the Exchange Notes--Subordination".

Restrictions Imposed by the Senior Credit Facilities and the Indenture

The Senior Credit Facilities and the Indenture contain a number of significant covenants that, among other things, restrict the ability of the Company to dispose of assets, incur additional indebtedness, repay other indebtedness, pay dividends, make certain investments or

acquisitions, repurchase or redeem capital stock, engage in mergers or consolidations, or engage in certain transactions with subsidiaries and affiliates and otherwise restrict corporate activities. There can be no assurance that such restrictions will not adversely affect the Company's ability to finance its future operations or capital needs or engage in other business activities that may be in the interest of the Company. In addition, the Senior Credit Facilities also require the Company to maintain compliance with certain financial ratios, including total EBITDA to total interest expense and total debt to total EBITDA, and limit capital expenditures by the Company. The ability of the Company to comply with such ratios and limits may be affected by events beyond the Company's control. A breach of any of these covenants or the inability of the Company to comply with the required financial ratios or limits could result in a default under the Senior Credit Facilities. In the event of any such default, the lenders under the Senior Credit Facilities could elect to declare all borrowings outstanding under the Senior Credit Facilities, together with accrued interest and other fees, to be due and payable, to require the Company to apply all of its available cash to repay such borrowings or to prevent the Company from making debt service payments on the Notes, any of which would be an Event of Default under the Notes. If the Company were unable to repay any such borrowings when due, the lenders could proceed against their collateral. In connection with the Senior Credit Facilities, the Company has granted the lenders thereunder a first priority lien on substantially all of its assets. The lenders under the Senior Credit Facilities will also have a first priority security interest in all of the capital stock of the Company and its subsidiaries. If the indebtedness under the Senior Credit Facilities or the Notes were to be accelerated, there can be no assurance that the assets of the Company would be sufficient to repay such indebtedness in full. See "Description of the Exchange Notes" and "Description of Senior Credit Facilities".

Fraudulent Conveyance

The Old Notes were incurred to finance the acquisition of the Businesses from Lockheed Martin. Management believes that the indebtedness of the Company represented by the Senior Credit Facilities and the Notes were incurred for proper purposes and in good faith, and that, based on present forecasts and other financial information, after the consummation of the Transaction and the issuance of the Notes, the Company will be solvent, will have sufficient capital for carrying on its business and will be able to pay its debts as they mature. Notwithstanding management's belief, however, under federal and state fraudulent transfer laws, if a court of competent jurisdiction in a suit by an unpaid creditor or a representative of creditors (such as a trustee in bankruptcy or a debtor-in-possession) were to find that, at the time of the incurrence of such indebtedness, the Company was insolvent, was rendered insolvent by reason of such incurrence, was engaged in a business or transaction for which its remaining assets constituted unreasonable small capital, intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured, or intended to hinder, delay or defraud its creditors, and that the indebtedness was incurred for less than reasonably equivalent value, then such court could, among other things, (i) void all or a portion of the Company's obligations to the Holders of the Exchange Notes, the effect of which would be that the Holders of the Exchange Notes might not be repaid in full and/or (ii)

subordinate the Company's obligations to the Holders of the Exchange Notes to other existing and future indebtedness of the Company to a greater extent than would otherwise be the case, the effect of which would be to entitle such other creditors to which the Exchange Notes were not previously subordinated to be paid in full before any payment could be made on the Exchange Notes. See "--Substantial Leverage" above.

Limitation on Change of Control

The Indenture provides that, upon the occurrence of a Change of Control of the Company or Holdings, the Company will make an offer to purchase all of the Exchange Notes at a price in cash equal to 101% of the aggregate principal amount thereof together with accrued and unpaid interest to the date of purchase. The Senior Credit Facilities currently prohibit the Company from repurchasing any Exchange Notes except with the proceeds of one or more Equity Offerings. The Senior Credit Facilities also provide that certain change of control events with respect to the Company would constitute a default thereunder. Any future credit agreements or other agreements relating to Senior Debt to which the Company becomes a party may contain similar restrictions and provisions. In the event a Change of Control event occurs at a time when the Company is prohibited from purchasing the Exchange Notes, or if the Company is required to make a Net Proceeds Offer (as defined) pursuant to the terms of the Exchange Notes, the Company could seek the consent of its lenders to the purchase of the Exchange Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain such a consent or repay such borrowings, the Company will remain prohibited from purchasing the Exchange Notes. In such case, the Company's failure to make such an offer or to purchase tendered Exchange Notes would constitute an Event of Default under the Indenture. If, as a result thereof, a default occurs with respect to any Senior Debt, the subordination provisions in the Indenture would likely restrict payments to the holders of the Exchange Notes. Finally, the Company's ability to pay cash to the holders of Notes upon a purchase may be limited by the Company's then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required purchases. Furthermore, the Change of Control provisions may in certain circumstances make more difficult or discourage a takeover of the Company. See "Description of the Exchange Notes--Repurchase at the Option of Holders -- Change of Control".

Forward Looking Statements

This Prospectus contains forward looking statements concerning the Company's operations, economic performance and financial condition, including in particular, the likelihood of the Company's success in operating as an independent company and developing and expanding its business and the realization of sales from backlog. These statements are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company, and reflect future business decisions which are subject to change. Some of these assumptions inevitably will not materialize, and unanticipated events will occur which will affect the Company's future results. All such forward looking statements are qualified by reference to matters discussed under this section entitled "Risk Factors".

USE OF PROCEEDS

There will be no proceeds to the Company from the exchange of Notes pursuant to the Exchange Offer.

The net proceeds received by the Company from the Offering of the Old Notes, approximately $217.3 million after deducting discounts and estimated fees and expenses, together with the borrowings under the Senior Credit Facilities, were used to pay, in part, the cash portion of the purchase price of the Acquisition and pay related fees and expenses.

CAPITALIZATION

The following table sets forth the capitalization of L-3 at June 30, 1997.

	June 30, 1997 ($ in millions)
Revolving Credit Facility	--
Term Loan Facilities	$174.0
10 3/8% Senior Subordinated Notes due 2007	225.0
Total Debt	399.0
Shareholders' Equity Capital	
Common Stock	125.0
Retained Earnings	3.1
Deemed Distribution	(7.5)
Total Capitalization	$519.6

Availability of up to $100 million, none of which was drawn at Closing other than letters of credit, which were less than $10 million.

Reflects the "Push Down" of Holdings' basis of its investment in the Company. The Acquisition was accounted for by Holdings as a purchase transaction in accordance with Accounting Principles Board Opinion No. 16. However, as a result of the 34.9% ownership retained by Lockheed Martin, the provisions of the Financial Accounting Standards Board's Emerging Issues Task Force Issue No. 88-16, "Basis in Leveraged Buyout Transactions" ("EITF 88-16"), is applied in connection with the allocation of purchase price to the acquired net assets. The application of the provisions of EITF 88-16 results in recording net assets acquired at approximately 34.9% of Lockheed Martin's carrying values plus 65.1% of fair value and the recording of a deemed distribution, estimated to be approximately $7.5 million.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED (COMBINED) FINANCIAL STATEMENTS

The following unaudited pro forma financial information gives effect to (i) the purchase of the Businesses by Holdings and the Company, (ii) the transfer of certain other assets and liabilities to the Company by Lockheed Martin, (iii) the Financing, (iv) the initial capitalization of the Company and (v) the "push down" of Holdings' basis of its investment in the Company. The unaudited pro forma condensed consolidated statement of operations assumes the transactions occurred as of January 1, 1996. The pro forma financial information is based on the historical consolidated (combined) financial statements of the Company for the six months ended June 30, 1997 (which include the historical combined financial statements of the Lockheed Martin Predecessor Businesses for the three months ended March 31, 1997), and the year ended December 31, 1996 (which include the results of the Loral Acquired Businesses for the nine months ended December 31, 1996), and the Loral Acquired Businesses for the three months ended March 31, 1996 using the purchase method of accounting and the assumptions and adjustments in the accompanying notes to the unaudited pro forma condensed consolidated (combined) financial statements.

The pro forma adjustments are based upon preliminary estimates. Actual adjustments will be based on final appraisals and other analyses of fair values and adjustment of the final purchase price. Changes between preliminary and financial allocations for the valuation of contracts in process inventories, pension liabilities, fixed assets and deferred taxes could be material. The pro forma statement of operations does not reflect any costs savings that management believes would have resulted had the transactions occurred on January 1, 1996. The pro forma financial information should be read in conjunction with the unaudited interim condensed consolidated (combined) financial statements of the Company as of June 30, 1997 and for the six month period ended June 30, 1997 and the audited combined financial statements as of December 31, 1996, and for the year ended December 31, 1996 of the Businesses. The pro forma data may not be indicative of the results that actually would have occurred had the transactions been in effect on the dates indicated or results that may be obtained in the future.

Unaudited Pro Forma Condensed Consolidated Statement of Operations Data

	Six Months Ended June 30, 1997				Year Ended December 31, 1996			
	The Company Three Months Ended June 30, 1997	Lockheed Martin Predecessor Businesses	Pro forma Adjustments	Pro forma Consolidated	Lockheed Martin Predecessor Businesses	Loral Acquired Businesses	Pro forma Adjustments	Pro forma Consolidated
	($ in millions)							
Statement of Operations Data:								
Sales	$168.0	$158.9	$ --	$326.9	$543.1	$132.2	$ --	$675.3
Cost of sales	152.9	151.0	(1.0)	302.9	499.4	124.4	(4.5)	619.3
Operating income	15.1	7.9	1.0	24.0	43.7	7.8	4.5	56.0
Interest expense	10.0	8.4	1.3	19.7	24.2	4.4	(12.0)	40.6
Earnings (loss) before income taxes	5.1	(.5)	(.3)	4.3	19.5	3.4	(7.5)	15.4
Income tax expense (benefit)	2.0	(.2)	(.1)	1.7	7.8	1.3	(3.0)	6.1
Net earnings (loss)	$ 3.1	$ (.3)	(.2)	2.6	$ 11.7	$ 2.1	$(4.5)	$ 9.3

See notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

The following facts and assumptions were used in determining the pro forma effect of the Transaction.

Holdings and Lockheed Martin entered into a Transaction Agreement dated as of March 28, 1997 ("Transaction Agreement") whereby Holdings acquired effective April 1, 1997 substantially all of the assets and certain liabilities of ten business units of Lockheed Martin that comprise the Company's Secured Communication Systems and Specialized Communication Products businesses. As a result of the Acquisition, Lockheed Martin, the Lehman Partnership and Senior Management own 34.9%, 50.1% and 15.0% of common equity, respectively, of Holdings, the sole stockholder of the Company. The purchase price of $525.0 million comprised $479.8 million of cash and $45.2 million of Holdings' common equity retained by Lockheed Martin. The cash portion of the purchase price is subject to certain agreed upon adjustments and other adjustments based upon the closing tangible net asset value as defined in the Transaction Agreement. For purposes of the pro forma financial information, a reduction in the purchase price of $20.0 million has been assumed pursuant to the Transaction Agreement. Costs related to the Transaction are estimated to approximate $20.0 million of which $14.0 million is related to the Financing and is included in other assets. Holdings and the Company had no operations until the consummation of the acquisition; accordingly, the pro forma financial statements reflect the combined statement of operations of the Lockheed Martin Predecessor Businesses for the three month period ended March 31, 1997 and for the year ended December 31, 1996 and the combined statement of operations of the Loral Acquired Businesses for the three months ended March 31, 1996.

The Acquisition was financed with the proceeds of $175 million of Term Loan Facilities, $225 million of Exchange Notes and capital contributions of $125 million, including the $45.2 million retained by Lockheed Martin. Prior to April 1, 1997, interest expense was allocated to the Lockheed Martin Predecessor Businesses from Lockheed Martin. The pro forma statement of operations reflects the elimination of allocated interest expense of $8.4 million for the three months ended March 31, 1997 and $28.6 million for the year ended December 31, 1996 and the following additional adjustments to interest expense.

	Three Months Ended March 31, 1977	Year Ended December 31, 1996
	($ in millions)	
Interest on Notes (10.375% on $225 million).	$ 5.8	$23.3
Interest on borrowings under the Senior Credit Facilities (8.40% on $175 million)	3.7	14.7
Commitment fee of 0.50% on unused Revolving Credit Facility	.1	.5
Amortization of deferred financing costs	.6	2.1
	$10.2	$40.6

The estimated excess of purchase price over net assets acquired of $297.9 million is being amortized over 40 years resulting in a pro forma charge of $7.7 million for 1996 and $1.9 million for the three months ended March 31, 1997. Further, the pro forma balance sheet includes the elimination of $280.1 million of intangibles, primarily cost in excess of net assets acquired, included in the Lockheed Martin Predecessor historical balance sheet, and the pro forma statement of operations includes the elimination of $10.1 million and $2.7 million for 1996 and the three months ended March 31, 1997, respectively, of related amortization expense. The preliminary purchase price allocation includes an estimated $4.4 million adjustment relating to a reduction of contracts in process resulting from valuing acquired contracts in process at contract price, less the estimated cost to complete and an allowance for normal profit margin on the Company's effort to complete such contracts. In addition, contracts in process include an estimated increase of $3.0 million related to valuing certain commercial finished goods inventory at their fair values. The non-recurring changes to income in 1996 resulting from the above-mentioned adjustments are not material to the pro forma statement of operations.

A combined statutory (federal and state) tax rate of 41% was assumed on the pro forma adjustments.

In connection with the Acquisition, Lockheed Martin also transferred the assets and liabilities of a microwave semiconductor product line, a building to be used by one of the acquired divisions, and certain leasehold improvements. No adjustment has been made to the pro forma statement of operations for the effect of these transfers because they are not material. In addition, L-3 has agreed to assume the assets and liabilities of certain defined benefit pension plans and a liability for retiree medical and life insurance for certain employees. The pro forma statement of operations for the six months ended June 30, 1997 (for the three months ended March 31, 1997) and the year ended December 31, 1996 includes a net reduction to costs and expenses of $.6 million and $2.5 million, respectively, to record estimated pension cost on a separate company basis net of the reversal of the allocated pension cost included in the historical financial statements. No such adjustment has been made to the pro forma statement of operations for retiree medical and life insurance benefits because the estimated expense of those benefits on a separate company basis approximates the cost included in the historical financial statements.

SELECTED FINANCIAL INFORMATION

The following unaudited selected consolidated (combined) financial data as of June 30, 1997 and for the six month periods then ended June 30, 1997 and 1996 have been derived from, and should be read in conjunction with, the unaudited interim condensed consolidated (combined) financial statements of the Company and footnotes thereto as of June 30, 1997 included elsewhere herein.

The following selected combined financial data as of March 31, 1997 and for the three months ended March 31, 1997 and as of December 31, 1996 and 1995 and for the years ended December 31, 1996, 1995 and 1994 have been derived from, and should be read in conjunction with, the audited Combined Financial Statements of the Businesses and footnotes thereto included elsewhere herein. The combined selected financial data for the three month periods ended March 31, 1996 have been derived from, and should be read in conjunction with, the unaudited Combined Financial Statements of the Businesses and footnotes thereto included elsewhere herein. In the opinion of the management, the unaudited combined financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the information contained therein. Results for the interim periods are not necessarily indicative of the results to be expected for the entire year.

The unaudited selected combined financial data for the three month period ended March 31, 1996 and as of December 31, 1994 and 1993, March 31, 1993 and December 31, 1992 for balance sheet data and the nine months ended December 31, 1993, the three months ended March 31, 1993 and the year ended December 31, 1992 for statement of operations data have been derived from the unaudited financial statements of Communication Systems -- Camden. In the opinion of the Businesses' management, such unaudited financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position and results of operations of Communication Systems -- Camden, also referred to as Lockheed Martin Communication Systems Division in the Lockheed Martin Predecessor Financial Statements, as of the dates and periods indicated. These selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the condensed consolidated (combined) financial statements of the Company and the Combined Financial Statements of the Lockheed Martin Predecessor Businesses and the Loral Acquired Businesses included elsewhere herein.

	Six Months Ended June 30, 1997					
	Three Months Ended		Six Months Ended	For the Three Months Ended March 31,		
	June 30, 1997	March 31, 1997	June 30, 1996	1997	1996	
	($ in millions)					
Statement of Operations Data:						
Sales	$168.0	$158.9	$206.4	$158.9	$ 41.2	
Operating income	15.1	7.9	10.9	7.9	1.7	
Interest expense	10.0	8.4	9.4	8.4	2.0	
Provision (benefit) for income taxes.	2.0	(.2)	1.3	(.2)	.2	
Net earnings (loss)	3.1	(.3)	.2	(.3)	(.5)	
Other Data:						
EBITDA	$ 22.3	$ 15.1	$ 21.2	$ 15.1	$ 4.8	
Depreciation expense	4.5	4.5	5.8	4.5	1.2	
Amortization expense	2.7	2.7	4.5	2.7	1.9	
Capital expenditures	3.1	4.3	4.7	4.3	.4	
Ratio of earnings to fixed charges	1.47x	1.02x				
Cash from (used in) operating activities.	32.9	(16.3)	(29.4)	(16.3)	10.2	
Cash from (used in) investing activities.	(473.6)	(4.3)	(292.0)	(4.3)	(.4)	
Cash from (used in) financing activities.	463.3	20.6	321.4	20.6	(9.8)	
Balance Sheet Data:						
Working capital	$117.6	$121.4	N/A	$121.4	N/A	
Total assets	680.9	608.5	N/A	608.5	N/A	
Invested equity	--	493.9	N/A	493.9	N/A	
Shareholders' equity.	120.6	--	N/A	--	N/A	

	Years Ended December 31,						
					1993		
					Nine Months Ended	Three Months Ended	
	1996	1995	1994	Dec. 31	March 31	1992	
	($ in millions)						
Statement of Operations Data:							
Sales	$543.1	$166.8	$218.9	$200.0	$67.8		$368.5
Operating income	43.7	4.7	8.4	12.4	5.1		49.3
Interest expense	24.2	4.5	5.5	4.1	--		--
Provision (benefit) for income taxes	7.8	1.2	2.3	3.8	2.0		19.8
Net earnings (loss)	11.7	(1.0)	0.6	4.5	3.1		29.5
Other Data:							
EBITDA	$ 68.7	$ 16.2	$ 19.9	$ 23.4	$ 7.0		$ 58.5
Depreciation expense	14.9	5.5	5.4	6.1	1.8		8.9
Amortization expense	10.1	6.1	6.1	4.9	0.1		0.3
Capital expenditures	13.5	5.5	3.7	2.6	0.8		3.9
Ratio of earnings to fixed charges	1.72x	1.03x	1.40x	N/A	N/A		N/A
Cash from (used in) operating activities	40.0	9.4	21.8	N/A	N/A		N/A
Cash from (used in) investing activities	(298.2)	(5.5)	(3.7)	N/A	N/A		N/A
Cash from (used in) financing activities	267.3	(3.8)	(18.1)	N/A	N/A		N/A
Balance Sheet Data:							
Working capital	$ 98.8	$ 21.1	$ 19.3	$ 24.7	$22.8		$ 35.8
Total assets	593.3	228.5	233.3	241.7	93.5		105.1
Invested equity	473.6	194.7	199.5	202.0	59.9		72.8
Shareholders' equity	--	--	--	--	--		

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Reflects ownership of Loral's Communication Systems -- Salt Lake and Specialized Communication Products businesses commencing April 1, 1996.

Reflects ownership of Communication Systems -- Camden by Lockheed Martin commencing April 1, 1993.

Reflects ownership of Communication Systems -- Camden by GE Aerospace for the periods indicated. The amounts shown herein include only those amounts as reflected in the financial records of Communication Systems -- Camden.

For periods prior to April 1, 1997, interest expense and income tax (benefit) provision were allocated from Lockheed Martin.

EBITDA is defined as income before deducting interest expense, income taxes, depreciation and amortization. EBITDA is not a substitute for operating income, net earnings and cash flow from operating activities as determined in accordance with generally accepted accounting principles as a measure of profitability or liquidity. EBITDA is presented as additional information because management believes it to be a useful indicator of the Company's ability to meet debt service and capital expenditure requirements and because certain debt covenants of L-3 utilize EBITDA to measure compliance with such covenants.

For the three months ended March 31, 1997 and 1996, earnings were insufficient to cover fixed charges by $.5 million and $.4 million, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Company is a supplier of sophisticated secure communication systems and specialized communication products including secure, high data rate communication systems commercial fixed wireless communication products, microwave components, avionic displays and recorders and instruments products. The Company's customers include the Department of Defense, selected U.S. government intelligence agencies, major aerospace/ defense prime contractors and commercial customers. The Company operates primarily in one industry segment, electronic components and systems.

Substantially all the Company's products are sold to agencies of the U.S. Government, primarily the Department of Defense, to foreign government agencies or to prime contractors or subcontractors thereof. All domestic government contracts and subcontracts of the Businesses are subject to audit and various cost controls, and include standard provisions for termination for the convenience of the U.S. Government. Multi-year U.S. Government contracts and related orders are subject to cancellation if funds for contract performance for any subsequent year become unavailable. Foreign government contracts generally include comparable provisions relating to termination for the convenience of the government.

The decline in the U.S. defense budget since the mid 1980s has resulted in program delays, cancellations and scope reduction for defense contracts in general. These events may or may not have an effect on the Company's programs; however, in the event that U.S. Government expenditures for products of the type manufactured by the Company are reduced, and not offset by greater commercial sales or other new programs or products, or acquisitions, there may be a reduction in the volume of contracts or subcontracts awarded to the Company.

In response to the decline in the defense budget, the DoD has focused its resources on enhancing its military readiness, joint operations and multiple mission capabilities and on incorporating advanced electronics to improve performance, reduce operating costs and extend life expectancy of its existing and future platforms. The emphasis on system interoperability, force multipliers and providing battlefield commanders with real-time data is increasing the electronics content of nearly all of the major military procurement and research programs. As a result, the DoD's budget for communications and defense electronics is expected to grow. According to Federal Sources, an independent private consulting group, the U.S. defense budget for command, control, communications and intelligence ("C3I") is projected to increase at a compound annual growth rate of 5.8% through 2002. Management believes that L-3 will benefit from this growth due to its substantial position in the markets for secure communication systems, antenna systems, display systems, microwave components and other related areas.

	Six Months Ended June 30, 1997			
	Three Months Ended June 30, 1997	Three Months Ended March 31, 1997	Combined Six Months	Six Months Ended June 30, 1996
Statement of Operations Data:				
Sales	$168.0	$158.9	$326.9	$206.4
Cost of sales	152.9	151.0	303.9	195.5
Operating income	15.1	7.9	23.0	10.9
Allocated interest expense	10.0	8.4	18.4	9.4
Income (loss) before income taxes	5.1	<.5>	4.6	1.5
Income taxes (benefit)	2.0	<.2>	1.8	1.3
Net earnings (loss)	$ 3.1	$ <.3>	$ 2.8	$ .2

	Three Months Ended March 31,		Years Ended December 31,		
	1997	1996	1996	1995	1994
	($ in millions)				
Statement of Operations Data:					
Sales	$158.9	$ 41.2	$543.1	$166.8	$218.9
Cost of sales	151.0	39.5	499.4	162.1	210.5
Operating income	7.9	1.7	43.7	4.7	8.4
Allocated interest expense	8.4	2.0	24.2	4.5	5.5
Income (loss) before income taxes	(.5)	(.3)	19.5	0.2	2.9
Income taxes (benefit)	(.2)	.2	7.8	1.2	2.3
Net earnings (loss)	$ (.3)	$ (.5)	$ 11.7	$ (1.0)	$ 0.6

Results of Operations

The Company's financial statements reflect operations since the effective date of the acquisition (April 1, 1997); accordingly comparisons for the six months ended June 30, 1997 to the prior period of the Predecessor Company are not meaningful. To facilitate meaningful comparisons of the operating results of the periods set forth below, the results of operations for the six months June 30, 1997 were obtained by combining, without adjustment, the results of operations of the Predecessor Company for the period January 1, 1997 through March 31, 1997 and the Company for the period April 1, 1997 through June 30, 1997. The results of operations for the six months ended June 30, 1996 represent the results of operations of the Predecessor Company. Interest expense and income taxes expense for the periods are not comparable and the impact of interest expense and income taxes expense on the Company is discussed below. See the columns denoted "Predecessor Company" and "The Company," representing the predecessor periods and successor periods, respectively, in the statements of operations and cash flows for the periods included in this report.

The results of operations of the Predecessor Company for the three months ended March 31, 1997 and the six months ended June 30, 1996, include certain costs and expenses allocated by Lockheed Martin for corporate office expenses based primarily on the allocation methodology prescribed by government regulations pertaining to government contractors. Interest expense was allocated based on Lockheed Martin's actual weighted average consolidated interest rate applied to the portion of the beginning of the year invested equity deemed to be financed by consolidated debt based on Lockheed Martin's debt to equity ratio on such date. The provision/benefit for income taxes was allocated to the Predecessor Company as if they were separate taxpayers, calculated by applying statutory rates to reported pre-tax income after considering items that do not enter into the determination of taxable income and tax credits related to the Predecessor Company. Also pension and post employment benefit costs were allocated based on employee headcount. Accordingly, the results of operations and financial position hereinafter of the Predecessor Company discussed may not be the same as would have occurred had the Predecessor Company been an independent entity.

As an independent entity, actual corporate office expense are expected to be about 10% to 20% or approximately $1 million to $2 million less than corporate office expense allocated to the Businesses by Lockheed Martin and Loral. Actuarial studies are being prepared regarding stand alone employee benefit costs; however, the Company believes that such costs will not vary materially from historical predecessor amounts. The ultimate impact of the aforementioned items on the Company's future results of operations will be mitigated due to the cost-plus nature of certain of the Company's government contracts which comprised approximately 42% of the 1996 pro forma sales. For the anticipated impact of interest and income taxes on a stand-alone basis, refer to pro forma financial information included elsewhere herein.

Three Months Ended June 30, 1997 and June 30, 1996

The following table sets forth selected income statement data for the Company and the Predecessor Company for the periods indicated:

	The Company	Predecessor Company
	Three Months Ended June 30, 1997	Three Months Ended June 30, 1996
	(Dollars in thousands)	
Sales	$168,030	$165,294
Cost and expenses	152,909	156,040
Operating income	15,121	9,254
Interest expense	9,970	7,386
Income before income taxes	5,151	1,868
Income taxes	2,060	1,131
Net income	$ 3,091	$ 737

Sales for the quarter ended June 30, 1997 increased to $168.0 million from $165.3 million for the quarter ended June 30, 1996 (the "prior year period"). Operating income increased to $15.1 million compared with $9.3 million in the prior year period. Net income increased to $3.1 million compared to $0.7 million in the prior year period.

The sales increase was attributable to increased volume on sales of the E2-C Trac-A antenna program, microwave components and Common High-bandwidth Data Link (CHBDL) systems; partially offset by lower volume on expendable countermeasures and U-2 Support program.

Operating income as a percentage of sales increased to 9.0% in the quarter ended June 30, 1997 compared to 5.6% in the prior year period. The increase is largely attributable to the improved operating margins in the Telemetry product lines, increased sales volume on higher-margin microwave components and the favorable impact of the Avionics product lines discontinued in the prior year.

Interest expense is not comparable to prior year period as a result of the financing related to the Acquisition. Interest expense for the Company for the quarter ended June 30, 1997 was $10.0 million. Interest expense for the three months ended June 30, 1996, represents an allocation of Lockheed Martin's interest expense to the Predecessor Company.

The effective income tax rate for the Company for the quarter ended June 30, 1997 was 40% reflecting the estimated effective income tax rate for the full year ended December 31, 1997. In the prior year period, the effective income tax rate of the Predecessor Company was significantly impacted by amortization of costs in excess of net assets acquired, which were not deductible for income tax purposes.

Six Months Ended June 30, 1997 and June 30, 1996

The following table sets forth selected income statement data for the Company and the Predecessor Company for the periods indicated.

	The Company	Predecessor Company		Predecessor Company
	Three Months Ended June 30, 1997	Three Months Ended March 31, 1997	Combined Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
	(Dollars in thousands)			
Sales	$168,030	$158,873	$326,903	$206,447
Cost and expenses	152,909	150,937	303,846	195,517
Operating income	15,121	7,936	23,057	10,930
Interest expense	9,970	8,441	18,411	9,414
Income (loss) before income taxes	5,151	(505)	4,646	1,516
Income taxes	2,060	(247)	1,813	1,276
Net income (loss)	$ 3,091	($258)	$ 2,833	$ 240

Sales for the six months ended June 30, 1997 increased to $326.9 million from $206.5 million for the six months ended June 30, 1996 (the "prior year period"). Operating income increased to $23.1 million from $10.9 million in the prior year period. Net income increased to $2.8 million from $0.2 million in the prior year period.

The sales increase was attributable primarily to the sales of the Loral Acquired Businesses which contributed $248.0 million for the six months ended June 30, 1997 compared to $126.2 in the prior year period. The acquisition of the Loral Acquired Businesses was effective April 1, 1996. Sales of Communication Systems - Camden decreased by $1.3 million to $78.9 million compared to prior year period.

Operating income as a percentage of sales increased to 7.1% in the six months ended June 30, 1997 compared to 5.3% in the prior year period. The increase in operating income also was largely attributable to the Loral Acquired Businesses, which contributed operating income of $23.8 million for the six months ended June 30, 1997 compared to $7.8 million in the prior year period. Communication Systems - Camden's operating income for the period compared to prior year decreased by $4.0 million to a $0.8 million operating loss, primarily due to increased costs on the Space Station, Baseband and ADODSM programs.

Interest expense is not comparable to prior year period as a result of the financing related to the Acquisition. Interest expense for the Company for the three months ended June 30, 1997 was $10.0 million. Interest expense for the six months ended June 30, 1996, represents an allocation of Lockheed Martin's interest expense to the Predecessor Company.

The effective income tax rate of the Company for the quarter ended June 30, 1997 was 40%, reflecting the estimated effective income tax rate for the full year ended December 31, 1997. In the prior year period, the effective income tax rate of the Predecessor Company was significantly impacted by amortization of costs in excess of net assets acquired, which were not deductible for income tax purposes.

Three Months Ended March 31, 1997 Compared With Three Months Ended March 31, 1996

The following table sets forth selected income statement data for the Predecessor Company for the periods indicated.

	Predecessor Company	
	Three Months Ended	
	March 31, 1997	March 31, 1996
	($ in millions)	
Sales	$158.9	$ 41.2
Cost of expenses	151.0	39.5
Operating income	7.9	1.7
Allocated interest expense	8.4	2.0
Income before income taxes	(.5)	(.3)
Allocated income taxes	(.2)	.2
Net income	$ (.3)	$ (.5)

Sales for the three months ended March 31, 1997 (the "1997 period") increased to $158.9 million from $41.2 million for the three months ended March 31, 1996 (the "1996 period"). Operating income in the 1997 period increased to $7.9 million compared with $1.7 million in the 1996 period. Net loss decreased to $.3 million from $.5 million. The Loral Acquired Business contributed $3.3 million in net earnings for the 1997 period, offset by net loss of $3.6 million in Communications Systems -- Camden.

The sales increases was attributable to the Loral Acquired Businesses which contributed $119.8 million of the increase. Sales of Communications Systems -- Camden decreased by $2.1 million compared to the 1996 period primarily due to lower volume on the SIGINT production and Secure Terminal Equipment (STE) development programs.

The increase in operating income also was largely attributable to the Loral Acquired Business, which contributed $10.7 million of the increase. Communication Systems - Camden's 1996 operating income for the 1997 period decreased by $4.4 million to a $2.8 million operating loss for the 1997 period, primarily due to increased costs on the Space Station, Baseband and AMODSM programs.

Operating income as a percentage of sales increased to 5.0% in the 1997 period compared to 4.1% in the 1996 period. The increase is attributable to higher margins and operating improvements in the Loral Acquired Businesses with operating income as a percentage of sales of 8.9%, offset by negative margins in Communications Systems -- Camden.

Allocated interest expense increased to $8.4 million from $2.0 million due primarily to the acquisition of the Loral Acquired Businesses, which was assumed to be fully financed by debt, coupled with a higher debt-to-equity ratio used in the allocation for Communications Systems -- Camden.

Year Ended December 31, 1996 Compared with Year Ended December 31, 1995

The following table sets forth selected income statement data for the Predecessor Company for the periods indicated.

	Predecessor Company	
	Year Ended	
	December 31, 1996	December 31, 1995
	($ in millions)	
Sales	$543.1	$166.8
Cost and expenses	499.4	162.1
Operating income	43.7	4.7
Allocated interest expense	24.2	4.5
Income before taxes	19.5	.2
Allocated income taxes	7.8	1.2
Net income	$ 11.7	$ (1.0)

During 1996, sales increased to $543.1 million from $166.8 million in the prior year. Operating income increased to $43.7 million compared with $4.7 million in the prior year. Net earnings increased to $11.7 million compared to a loss of $1.0 million in the prior year. The Loral Acquired Businesses contributed $13.6 million to 1996 net earnings.

The sales increase was attributed to the sales of the Loral Acquired Businesses which contributed $381.1 million of the increase. Sales of Communication Systems -- Camden decreased by $4.8 million compared to 1995 primarily due to lower volume on Aegis power supplies and SIGINT system production, partially offset by Local Management Device/Key Processor ("LMD/KP") production startup.

The increase in operating income also was largely attributable to the Loral Acquired Businesses, which contributed $36.9 million of the increase. Communication Systems -- Camden operating income increased $2.2 million primarily due to improved operating performance on the Shipboard Telephone Communications ("STC-2") program partially offset by increased costs on the Space Station contract. As a percentage of sales, operating income increased to 8.0% from 2.8%. This increase is attributable to the improvement in Communication Systems -- Camden noted above, higher margins and operating improvements in the Loral Acquired Businesses.

Allocated interest expense increased to $24.2 million from $4.5 million in the prior year due primarily to the acquisition of the Loral Acquired Businesses, which was assumed to be fully financed by debt, coupled with a higher debt-to-equity ratio used in the allocation for Communication Systems -- Camden.

The effective income tax rate declined to 40% as compared to 681% in the prior year. The 1995 effective rate was significantly impacted by amortization of costs in excess of net assets acquired, which is not deductible for income tax purposes. As a percentage of income subject to tax, such amortization declined significantly in 1996.

Year Ended December 31, 1995 Compared with Year Ended December 31, 1994

The following table sets forth selected income statement data for the Predecessor Company for the periods indicated.

	Predecessor Company	
	Year Ended	
	December 31, 1995	December 31, 1994
	($ in millions)	
Sales	$166.8	$218.9
Cost and expenses	162.1	210.5
Operating income	4.7	8.4
Allocated interest expense	4.5	5.5
Income before taxes	.2	2.9
Allocated income taxes	1.2	2.3
Net income	$(1.0)	$ .6

Results for 1995 and 1994 reflect only the results of Communication Systems -- Camden. During 1995, sales decreased to $166.8 million from $218.9 million in the prior year. Operating income decreased to $4.7 million from $8.4 million and the net loss for 1995 was $1.0 million compared to net earnings of $0.6 million in 1994.

The decrease in sales was primarily due to the completion of the IREMBASS and termination of the SCAMP program and lower volume on the STC-2 program.

The decline in operating income was partially due to the sales decrease described above. In addition, as a percentage of sales, operating income decreased to 2.8% in 1995 from 3.8% in 1994. The decrease in 1995 margins is primarily due to a cost overrun on the STE program.

Allocated interest expense decreased to $4.5 million in 1995 from $5.5 million in 1994 due to the lower invested equity balance at January 1, 1995 compared to January 1, 1994, offset by a slightly higher weighted average consolidated interest rate.

The effective income tax rates in 1995 and 1994 were significantly impacted by amortization of costs in excess of net assets acquired, which is not deductible for income tax purposes. The effective income tax rate in 1995 increased to 681% compared to 78% in 1994. The increase is primarily the result of the above described amortization increasing as a percent of pre-tax income in 1995 compared to the respective percent relationship in 1994.

Liquidity and Capital Resources

On April 30, 1997, effective April 1, 1997, the Company was purchased from Lockheed Martin Corporation for approximately $525 million, before an estimated purchase price adjustment of $20 million. The acquisition was funded by a combination of debt and equity. The equity was provided by Holdings who contributed $125 million, including $45 million retained by Lockheed Martin, in exchange for all of the capital stock of the Company. The funded debt consisted of $175 million of Term Loans under the Senior Secured Credit Facility and $225 million of 10 3/8% Senior Subordinated Notes. The required principal payments under the Term Loans are: $2 million in the remainder of 1997, $5 million in 1998, $11 million in 1999, $19 million in 2000, $25 million in 2001, $33.2 million in 2002, $20 million in 2003, and $25.2 million in 2004, $24.9 million 2005, and $8.7 million in 2006. With respect to the Term Loans, interest payments vary in accordance with the type of borrowings and are made at a minimum every three months. Other than upon a change in control, the Company will not be required to make principal payments in respect of the 10 3/8% Senior Subordinated Notes until maturity on May 1, 2007. The Company is required to make semi-annual interest payments with respect to the 10 3/8% Senior Subordinated Notes. The Company typically makes capital expenditures related primarily to improvement of manufacturing facilities and equipment.

The Senior Credit Facility Agreement contains financial covenants, which remain in effect so long as any amount is owed by the Company under the Senior Credit Facility. These financial covenants require that (i) the Company's debt ratio be less than or equal to 5.75 for the quarter ending September 30, 1997, and that the maximum allowable debt ratio thereafter be further reduced to less than or equal to 3.1 for quarters ending after June 30, 2002; and (ii) the Company's interest coverage ratio be at least 1.5 for the quarter ending September 30, 1997, and thereafter increase the interest coverage ratio to at least 3.10 for any fiscal quarters ending after June 30, 2002.

The Company has a substantial amount of indebtedness. Based upon the current level of operation and anticipated improvements, management believes that the Company's cash flow from operations, together with available borrowings under the Revolving Credit Facility, will be adequate to meet for the foreseeable future its anticipated requirements for working capital, capital expenditures, research and development expenditures, program and other discretionary investments, interest payments and scheduled principal payments. There can be no assurance, however, that the Company's that the Company's business will continue to generate cash flow at or above current levels or that currently anticipated improvements will be achieved. If the Company is unable to generate sufficient cash flow from operations in the future to service its debt, it may be required to sell assets, reduce capital expenditures, refinance all or a portion of its existing debt or obtain additional financing. The Company's ability to make scheduled principal payments of, to pay interest on or to refinance its indebtedness depends on its future performance and financial results, which, to a certain extent, are subject to general economic financial, competitive, legislative, regulatory and other factors beyond its control. There can be no assurance that sufficient funds will be available to enable the Company to service its indebtedness, including the Notes, or make necessary capital expenditures and program and other disciplinary

investments. The Senior Credit Facilities and the 10 3/8% Senior Subordinated Notes credit agreements contain financial and restrictive covenants that limit, among other things, the ability of the Company to borrow additional funds, dispose of assets, or pay cash dividends.

The following table sets forth selected cash flow statement data for the Company and the Predecessor Company the periods indicated:

	The Company	Predecessor Company		Predecessor Company
	Three Months Ended June 30, 1997	Three Months Ended March 31, 1997	Combined Six Months Ended June 30, 1997	Six Months Ended June 30, 1996
	(Dollars in thousands)			
Net cash from operating activities . .	$ 32,921	$(16,279)	$ 16,642	$ (29,411)
Net cash from investing activities . .	(473,609)	(4,300)	(477,909)	(291,998)
Net cash from financing activities . .	463,311	20,579	483,890	321,409
Net change in cash	$ 22,623	--	$ 22,623	--

Cash provided by operating activities of the Company for the quarter ended June 30, 1997 was $32.9 million. Cash provided by operations benefited from improved operating results and effective management of contracts in process resulting in reduced levels of receivables.

Cash used for operating activities of the Predecessor Company was $16.3 million for the quarter ended March 31, 1997, resulting primarily from the increase in contracts in process and decrease in current liabilities; offset by cash flows provided by the Loral Acquired Businesses. Without the Loral Acquired Businesses, cash used for operating activities for Communication Systems - Camden amounted to $6.1 million.

The Company's current ratio at March 31, 1997 improved slightly to 2.2:1 from 2.0:1 at December 31, 1996. Compared to December 31, 1996, the Company's current ratio at June 30, 1997 remained unchanged at 2.0:1.

Cash used in investing activities for the quarter ended June 30, 1997 consisted primarily of $470.7 million paid by the Company for the acquisition of Businesses from Lockheed Martin Corporation (See Note 1 to condensed consolidated (combined) financial statements.). During the quarter ended June 30, 1996, $287.8 million was paid by the Predecessor Company for the acquisition of the Loral Acquired Businesses. In addition, for the quarter ended June 30, 1997, $3.1 million was used for capital expenditures as compared to $4.3 million for the same period in 1996. On a pro forma basis, capital expenditures for 1996 was $17.2 million. The Company expects its capital expenditures to remain at comparable levels as in the past.

Prior to the Transaction, the Businesses participated in the Lockheed Martin cash management system, under which all cash is received and all payments are made by Lockheed Martin. All transactions between the Businesses and Lockheed Martin have been accounted as settled in cash at the time such transactions were recorded by the Businesses. In 1996, cash flows reflect the purchase of the Loral Acquired Businesses.

The following table sets forth selected cash flow statement data for the Predecessor Company for the periods indicated:

	Predecessor Company				
	Three Months Ended March 31, 1997	Three Months Ended March 31, 1996	Years Ended December 31, 1996	1995	1994
	(Dollars in thousands)				
Net cash (used in) from operating activities.	$(16,279)	$10,164	$ 30,999	$ 9,363	$ 21,808
Net cash (used in) investing activities.	(4,300)	(413)	(298,249)	(5,532)	(3,735)
Net cash (used in) from financing activities	20,579	(9,751)	267,250	(3,831)	(18,073)
Net change in cash	--	--	--	--	--

Three Months Ended March 31, 1997 Compared with Three Months Ended March 31, 1996.

Net Cash Provided by Operating Activities: Cash used in operating activities for the three months ended March 31, 1997 (the "1997 period") was $16.3 million compared to cash provided by operating activities of $10.2 million for the three months ended March 31, 1996 (the "1996 period"). The decrease for the 1997 period is due primarily to the reduction in contracts in process and increase in current liabilities, offset by increased profit and non-cash items provided by the Loral Acquired Businesses. Without the Loral Acquired Businesses, cash used in operating activities for Communication Systems -- Camden amounted to $6.1 million.

Contracts in process, before reduction for unliquidated progress payments, increased $8.9 million to $242.8 million at March 31, 1997 compared to December 31, 1996. See Notes 2 and 4 to the Combined Financial Statements. As is customary in the defense industry, unbilled contract receivables and inventoried costs are partially financed by progress payments. The unliquidated balance of such progress amounted to $27.2 million at March 31, 1997, compared with $35.8 million at December 31, 1996. Net contracts in process amounted to $215.6 million at March 31, 1997 from $198.1 million at December 31, 1996.

The Company's current ratio improved slightly to 2.2:1 at March 31, 1997 from 2.0:1 at December 31, 1996.

Net Cash Used in Investing Activities: Cash used in investing activities, primarily for capital expenditures, increased to $4.3 million for the 1997 period compared to $.4 million in the 1996 period.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1995 and to Year Ended December 31, 1994

Net Cash Provided by Operating Activities: Cash provided by operating activities was $31.0 million in 1996, $9.4 million in 1995 and $21.8 million in 1994. The increase of $21.6 million or 230% in 1996 is due primarily to the impact of the Loral Acquired Businesses. Earnings after adjustment for non-cash items provided $37.0 million, offset

by changes in other operating assets and liabilities. The decrease in 1995 of $12.4 million is attributable to an increase in contracts in process compared to 1994, a net loss in 1995 and gain on sales of assets in 1994. Without the Loral Acquired Businesses, cash provided by operating activities for Communication Systems -- Camden increased to $13.7 million in 1996, or 46% over the prior year.

Contracts in process, before reduction for unliquidated progress payments, increased by $189.2 million to $233.9 million at December 31, 1996, primarily due to the addition of the Loral Acquired Businesses. See Notes 2 and 4 to the Combined Financial Statements. As is customary in the defense industry, unbilled contract receivables and inventoried costs are partially financed by progress payments. The unliquidated balance of such progress payments increased by $33.5 million to $35.8 million at December 31, 1996, compared with $2.3 million at December 31, 1995. As a result, net contracts in process increased to $198.1 million in 1996 from $42.5 million in the prior year.

The Businesses, current ratio improved slightly to 2.0:1 at December 31, 1996, from 1.9:1 at December 31, 1995, as a result of the acquisition of the Loral Acquired Businesses.

Net Cash Used in Investing Activities: Cash used in investing activities increased to $298.2 million in 1996 from $5.5 million in 1995 and $3.7 million in 1994. The purchase price allocated by Lockheed Martin to the Loral Acquired Businesses was $287.8 million. Capital expenditures during the year amounted to $13.5 million.

Backlog

The Company's funded backlog at December 31, 1996, was $542.5 million, compared with $96.3 million at December 31, 1995 and $120.4 million at December 31, 1994. New orders in 1996 totaled $619.5 million, compared with $142.6 million in 1995 and $194.6 million in 1994. It is expected that approximately 77% of the December 31, 1996 backlog will be shipped in 1997. However, there can be no assurance that the Company's backlog will become revenues in any particular period, if at all. See "Risk Factors--Backlog". Approximately 81% of the total backlog was directly or indirectly for defense contracts for end use by the Government.

Research and Development

Company-sponsored research and development, including bid and proposal costs, increased to $36.5 million in 1996 from $9.8 million in 1995. In addition, customer-funded research and development was $153.5 million in 1996, compared with $74.9 million for 1995. The increase in research and development in 1996 was due primarily to the Loral Acquired Businesses.

Contingencies

Management does not believe there are any contingencies that, after taking into account its existing reserves, would have a material adverse effect on the Company's operations or financial condition. See Note 8 to the Combined Financial Statements and "Risk Factors--Pension Plan Liabilities".

New Accounting Pronouncements

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share." SFAS No. 128 establishes accounting standards for computing and presenting earnings per share and applies to entities with publicly held common stock or potential common stock. In February 1997, the FASB issued SFAS No. 129, "Disclosures of Information about Capital Structure." SFAS No. 129 requires disclosure of for all type of securities issued and applies to all entities that have issued securities. In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosure about Segments of an Enterprise and related Information." SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set general-purpose financial statements. SFAS No. 131 establishes accounting standards for the way that public business enterprises report information about operating segments and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. SFAS No. 128 and SFAS No. 129 are required to be adjusted for periods ending after December 15, 1997, and SFAS No. 130 and SFAS No. 131 are required to be adopted by 1998. The Company is currently evaluating the impact, if any of these new FASB statements.

Effective January 1, 1996, the Businesses adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 121 establishes the accounting standards for the impairment of long-lived assets, certain intangible assets and cost in excess of net assets acquired to be held and used for long-lived assets and certain intangible assets to be disposed of. The impact of adopting SFAS 121 was not material.

Effective January 1, 1994, the Businesses adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postretirement Benefits" ("SFAS 112"). SFAS 112 requires that the costs of benefits provided to employees after employment but before retirement be recognized on an accrual basis. The adoption of SFAS 112 did not have a material impact on the combined results of operations of the Businesses.

Inflation

The effect of inflation on the Company's sales and earnings is minimal. Although a majority of the Company's sales are made under long-term contracts, the selling prices of such contracts, established for deliveries in the future, generally reflect estimated costs to be incurred in these future periods. In addition, some contracts provide for price adjustments through escalation clauses.

BUSINESS

Company Overview

L-3 is a leading provider of sophisticated secure communication systems and specialized communication products including secure, high data rate communication systems, microwave components, avionics, and telemetry and instrumentation products. These systems and products are critical elements of virtually all major communication, command and control, intelligence gathering and space systems. The Company's systems and specialized products are used to connect a variety of airborne, space, ground and sea-based communication systems and are incorporated into the transmission, processing, recording, monitoring and dissemination functions of these communication systems. The Company's customers include the DoD, selected Government intelligence agencies, major aerospace/defense prime contractors, foreign governments and commercial customers. In 1996, L-3 had pro forma sales of $675.3 million and pro forma operating income of $56.0 million. The Company's funded backlog as of December 31, 1996 was approximately $542.5 million.

All of the Company's business units enjoy proprietary technologies and capabilities and are well positioned in their respective markets. Management has organized the Company's operations into two business areas: Secure Communication Systems and Specialized Communication Products. In 1996, these areas generated approximately $371.5 million and $303.8 million of pro forma sales, respectively, and $23.0 million and $33.0 million of pro forma operating income, respectively.

Secure Communication Systems. L-3 is the established leader in secure, high data rate communications in support of military and other national agency reconnaissance and surveillance applications. The Company's Secure Communication Systems operations are located in Salt Lake City, Utah and Camden, New Jersey. Both operations are predominantly cost plus, sole source prime system contractors supporting long-term programs for the U.S. Armed Forces and classified customers. The Company's major secure communication programs and systems include: strategic and tactical signal intelligence systems that detect, collect, identify, analyze and disseminate information and related support contracts for military and national agency intelligence efforts; secure data links for airborne, satellite, ground and sea-based information collection and transmission; as well as secure telephone and network equipment. The Company believes that it has developed virtually every high bandwidth data link used by the military for surveillance and reconnaissance in operation today. In addition to these core Government programs, L-3 is expanding its business base into related commercial communication equipment markets, including applying its wireless communication expertise to develop local wireless loop equipment primarily for emerging market countries and rural areas where existing telecommunications infrastructure is inadequate or non-existent.

Specialized Communication Products. This business area comprises the Microwave Components, Avionics, and Telemetry and Instrumentation Products operations of the Company.

Microwave Components. L-3 is the preeminent worldwide supplier of commercial off-the-shelf, high performance microwave components and frequency monitoring equipment. L-3's microwave products are sold under the industry-recognized Narda brand name through a standard catalog to wireless, industrial and military communication markets. L-3 also provides state-of-the-art communication components including channel amplifiers and frequency filters for the commercial communications satellite market.

Avionics. Avionics includes the Company's Aviation Recorders, Display Systems and Antenna Systems operations. L-3 is the world's leading manufacturer of commercial cockpit voice and flight data recorders. These recorders are sold under the Fairchild brand name both on an OEM basis to aircraft manufacturers as well as directly to the world's major airlines for their existing fleets of aircraft. L-3 also provides military and high-end commercial displays for use on a number of DoD programs including the F-14, V-22, F-117 and E-2C. Further, L-3 manufactures high performance surveillance antennas and related equipment for U.S. Air Force and U.S. Navy aircraft including the F-16, AWACS, E-2C and B-2, as well as the U.K.'s Nimrod aircraft.

Telemetry and Instrumentation Products. The Company's Telemetry and Instrumentation Products operations develop and manufacture commercial off-the-shelf, real-time data collection and transmission products and components for missile, aircraft and space-based electronic systems. These products are used to gather flight parameter data and other critical information and transmit it from air or space to the ground. Telemetry products are also used for range safety and training applications to simulate battlefield situations. Further, the Company is applying its technical capabilities in high data rate transmission to the medical image archiving market in partnership with GE Medical Systems.

The Company's systems and products are summarized in the following tables:

Secure Communication Systems (1996 Pro Forma Sales: $372 million)

Systems	Selected Applications	Selected Platforms/End Uses
Secure High Data Rate Communications		
-- Broad-band data links	High performance, secure communication links for interoperable tactical communication and reconnaissance	Used on aircraft and naval ships, unmanned aerial vehicles with military and commercial satellites
Satellite Communication Terminals		
-- Ground-based satellite communication terminals	Interoperable, transportable ground terminals for remote data links to distant segments via commercial or military satellites	Provide remote communication links to distant forces
Satellite Communication and Satellite Control		
-- Satellite communication and tracking systems	On-board satellite external communications, video systems, solid state recorders and ground support equipment	International Space Station; Earth Observing Satellite; Landsat-7; National Oceanic and Atmospheric Administration weather satellites
-- Satellite command and control sustainment and support	Software integration, test and maintenance support for Air Force satellite control network; engineering support for satellite launch systems	Air Force satellite network; Titan IV launch system
Military Communications		
-- Shipboard communication systems	Shipboard and ship-to-ship communications	Shipboard voice communications systems for Aegis cruisers and destroyers; fully

Specialized Communication Products (1996 Pro Forma Sales: $304 million)

Productions	Selected Applications	Selected Platforms/End Uses
		automated Integrated Radio Room (IRR) for ship-to-ship communications on Trident submarines
Information Security Systems		
-- Secure Telephone Unit (STU III)/Secure Terminal Equipment (STE)	Secure and non-secure voice, data and video communication utilizing ISDN and ATM commercial network technologies	Office and battlefield secure and non-secure communication for armed services, intelligence and security agencies
-- Local management device/key processor (LMD/KP)	Provides electronic key material accounting, system management and audit support functions for secure data communication	User authorization and recognition and message encryption for secure communication
-- Information processing systems	Custom designed strategic and tactical signal intelligence systems that detect, collect, identify, analyze and disseminate information and related support contracts	Classified military and national agency intelligence efforts
Microwave Components		
-- Passive components, mechanical switches and wireless assemblies	Radio transmission, switching and conditioning; antennae and base station testing and monitoring	Broad-band and narrow-band commercial applications (PCS, cellular, SMR, and paging infrastructure) sold under the Narda brand name; broad-band military applications

Specialized Communication Products (1996 Pro Forma Sales: $304 million)

Productions	Selected Applications	Selected Platforms/End Uses
-- Safety products	Radio frequency (RF) monitoring and measurement	Monitor cellular base station and industrial RF emissions frequency monitoring
-- Semiconductors (diodes, capacitors)	Radio frequency switches, limiters, voltage control, oscillators, harmonic generators	Various industrial and military end uses, including commercial satellites, avionics and specialty communication products
-- Satellite and wireless components (channel amplifiers, transceivers, converters, filters and multiplexers)	Satellite transponder control, channel and frequency separation	F-16, E-2C, China Sat
Avionics		
Aviation Recorders		
-- Solid state cockpit voice and flight data recorders	Voice recorders continuously record most recent 30-120 minutes of voice and sounds from cockpit and aircraft inter-communications. Flight data recorders record the last 25 hours of flight parameters	Installed on all business and commercial aircraft and certain military transport aircraft; sold to both aircraft OEMs and airlines under the Fairchild brand name
Display Systems		
-- Cockpit and mission display systems	High performance, ruggedized flat panel and cathode ray tube displays	E-2C, V-22, F-14, F-117, E-6B, C-130, AWACS and JSTARS

Specialized Communication Products (1996 Pro Forma Sales: $304 million)

Productions	Selected Applications	Selected Platforms/End Uses
Antenna Systems		
-- Ultra-wide frequency antennae systems and rotary joints	Surveillance; radar detection	F-15, F-16, F-18, E-2C, A-7, EF-111, P-3, C-130, B-2, AWACS, Apache, Cobra, Mirage (France), Nimrod (U.K.) and Tornado (U.K.)
Telemetry and Instrumentation		
Telemetry		
-- Aircraft, missile and satellite telemetry systems	Real time data acquisition, measurement, processing, simulation, distribution, display and storage for flight testing	F-15, F-18, F-22, Comanche, Nimrod (U.K.), Tactical Hellfire Titan, EELV, and A2100
-- Training range telemetry systems	Battlefield simulation	Combat simulation
Instrumentation and Other		
-- Medical imaging and archiving	X-Ray cardiology, echo cardiology and radiology image management, review and archiving	Filmless, high speed image management and archiving for cardiology and radiology

Industry Overview

The defense industry has recently undergone significant change precipitated by ongoing federal budget pressures and new roles and missions to reflect changing strategic and tactical threats. Since the mid-1980's, the overall U.S. defense budget has declined in real dollars. In response, the DoD has focused its resources on enhancing its military readiness, joint operations and multiple mission capabilities, and incorporating advanced electronics to improve the performance, reduce operating cost and extend the life expectancy of its existing and future platforms. The emphasis on system interoperability, force multipliers and providing battlefield commanders with real-time data is increasing the

electronics content of nearly all of the major military procurement and research programs. As a result, the DoD's budget for communications and defense electronics is expected to grow. According to Federal Sources, an independent private consulting group, the defense budget for C3I is expected to increase from $30.0 billion in the fiscal year ended September 30, 1996 to $42.0 billion in the fiscal year ended September 30, 2002, a compound annual growth rate of 5.8%.

The industry has also undergone dramatic consolidation resulting in the emergence of four dominant prime system contractors. One outgrowth of this consolidation among the remaining major prime contractors is their desire to limit purchases of products and sub-systems from one another. Despite this desire, there are numerous essential but non-strategic products, components and systems that are not economical for the major prime contractors to design, develop or manufacture for their own internal use. As the prime contractors continue to evaluate their core competencies and competitive position, focusing their resources on larger programs and platforms, the Company expects the prime contractors will seek to exit non-strategic business areas and procure these needed elements on more favorable terms from independent, commercially oriented merchant suppliers.

The focus on cost control is also driving increased use of commercial off-the-shelf products for both upgrades of existing systems and in new systems. The Company believes the prime contractors will continue to be under pressure to reduce their costs and will increasingly seek to focus their resources and capabilities on major systems, turning to commercially oriented merchant suppliers to produce non-core sub-systems, components and products. Going forward, the successful merchant suppliers will use their resources to complement and support, rather than compete with the prime contractors. L-3 anticipates the relationship between the major prime contractors and their primary suppliers will, as in the automotive industry, develop into critical partnerships encompassing increasingly greater outsourcing of non-core products and systems by the prime contractors to their key merchant suppliers and increasing supplier participation in the development of future programs. Early involvement in the upgrading of existing systems and the design and engineering of new systems incorporating these outsourced products will provide top-tier suppliers, including the Company, with a competitive advantage in securing new business and provide the prime contractors with significant cost reduction opportunities through coordination of the design, development and manufacturing processes.

Business Strategy

L-3 intends to leverage its market position, diverse program base and favorable mix of cost plus to fixed price contracts to enhance its profitability, reduce its indebtedness and to establish itself as the premier merchant supplier of communication systems and products to the major prime contractors in the aerospace/defense industry as well as the Government. The Company's strategy to achieve these objectives includes:

-- Expand Merchant Supplier Relationships. Senior Management has developed strong relationships with virtually all of the prime contractors, the DoD and other major government agencies, enabling L-3 to

identify business opportunities and anticipate customer needs. As an independent merchant supplier, the Company anticipates its future growth will be driven by expanding its share of existing programs and by participating in new programs. Management has already identified several opportunities where the Company believes it will be able to use its strong relationships to increase its business presence and allow its customers to reduce their costs. The Company also expects to benefit from increased outsourcing by prime contractors who in the past may have limited their purchases to captive suppliers and who are now expected to view L-3's capabilities on a more favorable basis given its status as an independent company.

-- Support Customer Requirements. A significant portion of L-3's sales are derived from high-priority, long-term programs and from programs for which the Company has been the incumbent supplier, and in many cases acted as the sole provider, over many years. Approximately 67% of the Company's total pro forma 1996 sales were generated from sole source contracts. L-3's customer satisfaction and excellent performance record are evidenced by its performance-based award fees exceeding 90% on average over the past two years. Going forward, management believes prime contractors will award long-term, sole source, outsourcing contracts to the merchant supplier they believe is most capable on the basis of quality, responsiveness, design, engineering and program management support as well as cost. Reflecting L-3's strong competitive position, the Company has experienced a contract award win rate over the past two years of approximately 50% on new competitive contracts for which it competes and approximately 90% on contracts for which it is the incumbent. The Company intends to continue to align its research and development, manufacturing and new business efforts to complement its customers' requirements.

-- Leverage Technical and Market Leadership Positions. L-3 has developed strong, proprietary technical capabilities that have enabled it to capture a number one or two market position in most of its key business areas, including secure, high data rate communication systems, solid state aviation recorders, advanced antenna systems and high performance microwave components. Over the past three years, the Company and its Predecessors have invested over $100 million in Company-sponsored independent research and development, including bid and proposal costs, in addition to making substantial investments in its technical and manufacturing resources. Further, the Company has a highly skilled workforce including over 1,500 engineers. As an independent company, management intends to leverage its technical expertise and capabilities into several closely aligned commercial business areas and applications, including opportunities in wireless telephony and medical imaging archive management.

-- Maintain Diversified Business Mix. The Company enjoys a diverse business mix with a limited program exposure, a favorable balance of cost plus to fixed price contracts, a significant sole source business and an attractive customer profile. The Company's largest program, representing 14% of 1996 pro forma sales, is a long-term, sole source, cost plus support program for the U-2 program Directorate for the DoD. No other program represented more than 7% of pro forma 1996 sales. Further, the Company's pro forma sales mix of contracts in 1996 was 42% cost plus and 58% fixed price, providing the Company with a balanced mix of predictable

profitability (cost plus) and higher margin (fixed price) business. L-3 also enjoys an attractive customer mix of defense and commercial business, with DoD related sales accounting for 65% and commercial and federal (non-DoD) sales accounting for 35% of 1996 pro forma sales. The Company intends to leverage this favorable business profile to expand its merchant supplier business base.

-- Enhance Operating Margins. As part of larger corporations (i.e., Lockheed Martin, Loral, GE, Unisys), the Businesses were historically required to absorb significant corporate expense allocations. As an independent company, L-3 believes that it will be able to leverage its discretionary expenditures in a more focused and efficient manner, enhance its operating performance and reduce overhead expenses reflecting Senior Management's more flexible, entrepreneurial approach. The Company believes that significant costs incurred by the Businesses under Lockheed Martin's ownership will not be incurred going forward. These cost savings include reduced corporate administrative and facilities expenses and certain operating performance improvements.

-- Capitalize on Strategic Acquisition Opportunities. Recent industry consolidation has virtually eliminated traditional middle-tier aerospace/defense companies. This level of consolidation is now beginning to draw the concern of the DoD and federal anti-trust regulators. As a result, the Company anticipates the pending major mergers as well as continued consolidation of the smaller participants in the defense industry will create attractive complementary acquisition candidates for L-3 in the future as these companies continue to evaluate their core competencies and competitive position.

Products and Services

Secure Communication Systems

L-3 is a leader in communication systems for high performance intelligence collection, imagery processing and ground, air, sea and satellite communications for the DoD and other government agencies. The Company's Secure Communication Systems operations are located in Salt Lake City, Utah and Camden, New Jersey, and together had pro forma sales of $371.5 million and EBITDA of $41.6 million in 1996. The Salt Lake City operation provides secure, high data rate, real-time communication systems for surveillance, reconnaissance and other intelligence collection systems. The Camden operation designs, develops, produces and integrates communication systems and support equipment for space, ground and naval applications. Product lines of the Secure Communication Systems business include high data rate communication links, satellite communication ("SATCOM") terminals, Navy vessel communication systems, space communications and satellite control systems, signal intelligence information processing systems, information security systems, tactical battlefield sensor systems and commercial communication systems.

-- High Data Rate Communications

The Company is a technology leader in high data rate, covert, jam-resistant microwave communications in support of military and other national agency reconnaissance and surveillance applications. L-3's product line covers a full range of tactical and strategic secure

point-to-point and relay data transmission systems, products and support services that conform to military and intelligence specifications. The Company's systems and products are capable of providing battlefield commanders with real time, secure surveillance and targeting information and were used extensively by U.S. armed forces in the Persian Gulf war.

During the 1980s, largely based on its prior experience with command and control guidance systems for remotely-piloted vehicles, L-3 developed its current family of strategic and tactical data links, including its Modular Interoperable Data Link ("MIDL") systems and Modular Interoperable Surface Terminals ("MIST"). MIDL and MIST technologies are considered virtual DoD standards in terms of data link hardware. The Company's primary focus is spread spectrum communication (based on CDMA technology), which involves transmitting a signal as noise so as to make it difficult to detect to others, and then re-capturing the signal and removing the noise. The Company's data links are capable of providing information at over 200 Mb/s.

L-3 provides these secure high band width services to the U.S. Air Force, Navy, Army and various Government agencies, many through long-term sole source programs. The scope of these programs include air-to-ground, air-to-air, ground-to-air and satellite communications. Government programs include: U-2 Support, Common High-Band Width Data Link Surface Terminal ("CHBDL-ST"), Battle Group Passive Horizon Extension System ("BGPHES"), Light Airborne Multi-Purpose System (LAMPS), TriBand SATCOM Subsystem ("TSS"), all unmanned aerial vehicle ("UAV") programs and Direct Air-Satellite Relay ("DASR").

-- Satellite Communication Terminals

L-3 provides ground-to-satellite, high availability, real-time global communications capability through a family of transportable field terminals to communicate with commercial, military and international satellites. These terminals provide remote personnel with anywhere, anytime effective communication capability and provide communications links to distant forces. The Company's TriBand SATCOM Subsystem ("TSS") employs a 6.25 meter tactical dish with a single point feed that provides C, Ku and X band communication to support the U.S. Army. The Company also offers an 11.3 meter dish which is transportable on two C-130 aircraft. The SHF Portable Terminal System ("PTS") is a lightweight (28 lbs.), manportable terminal, which communicates through DSCS, NATO or SKYNET satellites and brings unprecedented connectivity to small military tactical units and mobile command posts. L-3 recently delivered 14 of these terminals for use by NATO forces in Bosnia.

-- Space Communications and Satellite Control

Continuing L-3's tradition of providing communications for every manned U.S. space flight since Mercury, the Company is currently designing and testing three communication subsystems for the International Space Station ("ISS"). These systems will control all ISS radio frequency ("RF") communications and external video activities. The Company also provides solid-state recorders and memory units for data capture, storage, transfer and retrieval for space applications. The standard NASA tape recorder, which was developed and produced by the Company, has completed over three million hours of service without a mission failure. Current programs

include recorders for the National Oceanic & Atmospheric Administration ("NOAA") weather satellites, the Earth Observing Satellite ("EOS") AM spacecraft and Landsat-7 Earth-monitoring spacecraft. The Company also provides space and satellite system simulation, satellite operations and computer system training, depot support, network engineering, resource scheduling, launch system engineering, support, software integration and test through cost-plus contracts with the U.S. Air Force.

-- Military Communications

The Company provides integrated, computer controlled switching systems for the interior and exterior voice and data needs of today's Navy military vessels. The Company's products include Integrated Voice Communication Systems ("IVCS") for Aegis cruisers and destroyers and the Integrated Radio Room ("IRR") for Trident class submarines, the first computer controlled communications center in a submarine. These products integrate the intercom, tactical and administrative communications network into one system accessing various types of communication terminals throughout the ship. The Company's MarCom 2000 secure digital switching system is in development for the Los Angeles class attack submarine and provides an integrated approach to the specialized voice and data communications needs of a shipboard environment for internal and external communications, command and control and air traffic control. The Company also offers on-board, high data rate communications systems which provide a data link for carrier battle groups which are interoperable with the U.S. Air Force's surveillance/ reconnaissance terminal platforms.

-- Information Security Systems

The Company has produced more than 100,000 secure telephone units ("STU III") which are in use today by the U.S. Armed Forces to provide secure telephone capabilities for classified confidential communication over public commercial telephone networks. The Company has begun producing the next-generation digital, ISDN-compatible STE. STE provides clearer voice and seven-times faster data/fax transmission capability than the STU III. STE also supports secure conference calls and secure video teleconferencing. STE uses a CryptoCard security system which consists of a small, portable, cryptographic module mounted on a PCMCIA card holding the algorithms, keys and personalized credentials to identify its user for secure communications access. The Company also provides LMD/KP which is the workstation component of the Government's Electronic Key Management System ("EKMS"), the next generation of information security systems. EKMS is the Government system to replace current "paper" secret keys used to secure government communications with "electronic" secret keys. LMD/KP is the component of the EKMS which produces and distributes the electronic keys. L-3 also develops specialized strategic and tactical SIGINT to detect, acquire, collect, and process information derived from electronic sources. These systems are used by classified customers for intelligence gathering and require high speed digital signal processing and high density custom hardware designs.

-- Tactical Security Systems

The Company manufactures the IREMBASS, an unattended ground sensor system which uses sensors placed along likely avenues of enemy approach or intrusion in a battlefield environment. The sensors respond to seismic and

acoustic disturbances, infrared energy and magnetic field changes and thus detect enemy activities. IREMBASS is currently in use by U.S. Special Operations Forces, the U.S. Army's Light Divisions and several foreign governments. The Company also provides the Intrusion Detection Early Warning System ("IDEWS"), a sensor system designed for platoon-level physical security applications. Weighing less than two pounds, this sensor system is ideal for covert perimeter intrusion detection, border protection and airfield or military installation security.

-- Commercial Communications

The Company is applying its wireless communication expertise to introduce local wireless loop equipment using a synchronous Code Division Multiple Access technology protocol ("CDMA") supporting terrestrial and space based, fixed and mobile communication services. The system's principal targeted customer base is emerging market countries and rural areas where existing telecommunications infrastructure is inadequate or non-existent. The Company's system will have the potential to interface with low earth orbit ("LEO") PCS systems such as Globalstar, Iridium and or any local public telephone network. The Company expects to manufacture for sale certain of the infrastructure equipment and to license its technology to third-party providers. The Company expects to partner with third parties for service and distribution capabilities. The Company has entered into product distribution agreements with Granger Telecom for distribution in parts of Africa, the Middle East and the United Kingdom, and with Unisys for distribution in parts of Mexico and South America.

Specialized Communication Products

Microwave Components

L-3 is the pre-eminent worldwide supplier of commercial off-the-shelf, high performance radio frequency ("RF") microwave components, assemblies and instruments supplying the wireless communication, industrial and military markets. The Company is also a leading provider of state-of-the-art space-qualified commercial satellite and strategic military RF products. L-3 sells many of these components under the well-recognized Narda brand name and through the world's most comprehensive catalogue of standard, stocked hardware. L-3 also sells its products through a direct sales force and an extensive network of premier market representatives. Specific catalog offerings include wireless products, electro-mechanical switches, power dividers and hybrids, couplers/detectors, attenuators, terminations and phase shifters, isolators and circulators, adapters, control products, sources, mixers, waveguide components, RF safety products, power meters/monitors and custom passive products. The Company operates from two sites, Hauppauge, New York ("Narda East"), and Sacramento, California ("Narda West").

Narda East represents approximately 62% of L-3's microwave sales volume, offering high performance microwave components, networks and instruments to the wireless, industrial and military communications markets. Narda East's products can be divided into three major categories: passive components, higher level wireless assemblies/monitoring systems and safety instruments.

Passive components are generally purchased in narrow frequency configurations by wireless OEM equipment manufacturers and service providers. Similar components are purchased in wide frequency configurations by first tier military equipment suppliers. Commercial applications for Narda components are primarily in cellular or PCS base stations. Narda also manufactures higher level assemblies for wireless base stations and the paging industry. These products include communication antenna test sets, devices that monitor reflected power to determine if a cellular base station is working. Military applications include general procurement for test equipment or electronic surveillance and countermeasure systems. RF safety products are instruments which are used to measure the level of non-ionizing radiation in a given area, i.e., from an antenna, test set or other emitting source.

Narda West designs and manufactures state-of-the-art space-qualified and wireless components. Space qualified components include channel amplifiers for satellite transponder control and diplexers/ multiplexers, which are used to separate various signals and direct them to the appropriate other sections of the payload. Narda West's primary areas of focus are communication satellite payload products. Channel amplifiers constitute Narda West's main satellite product. These components amplify the weak signals received from earth stations by a factor of 1 million, and then drive the power amplifier tubes that broadcast the signal back to earth. These products are sold to satellite manufacturers and offer lower cost, lower weight and improved performance versus in-house alternatives. On a typical satellite, for which there are 20 to 50 channel amps, Narda West's channel amps offer cost savings of up to 60% (up to $1 million per satellite) and decrease launch weight by up to 25 kilograms.

The operation also offers a wide variety of high-reliability power splitters, combiners and filters for spacecraft and launch vehicles, such as LLV, Tiros N, THAAD, Mars Surveyor, Peacekeeper, Galileo, Skynet, Cassini, Milstar, Space Shuttle, LandSat, FltSatCom, GPS, GPS Block IIR, IUS, ACE, SMEX and certain classified programs. Narda West also produces ground transceivers for communication with satellites. These Very Small Aperture Terminal ("VSAT") transceivers are used in medium and high data rate applications in the C and Ku frequency bands normally used for transmit/receiver applications. Other Narda West products include wireless microwave components for cellular and PCS base station applications. These products include filters used for transmit and receive channel separation as well as ferrite components, which isolate certain microwave functions, thereby preventing undesired signal interaction. The balance of the operation's business is of a historical nature and involves wideband filters used for electronic warfare applications and cavity oscillators used in commercial test equipment and terrestrial radio applications.

Avionics

-- Aviation Recorders

L-3 manufactures commercial solid-state crash-protected aviation recorders ("black boxes") under the Fairchild brand name, and has delivered over 40,000 flight recorders to airplane manufacturers and airlines around the world. Recorders are mandated and regulated by various worldwide agencies for commercial airlines and a large portion of business aviation aircraft. Management anticipates growth opportunities in Aviation

Recorders as a result of the current high level of orders for new commercial aircraft. Additional growth opportunities exist in the military market as a result of recent military aircraft accidents. There are two types of recorders: (i) the Cockpit Voice Recorder ("CVR") which records the last 30 to 120 minutes of crew conversation and ambient sounds from the cockpit and (ii) the Flight Data Recorder ("FDR") which records the last 25 hours of aircraft flight parameters such as speed, altitude, acceleration, thrust from each engine and direction of the flight in its final moments. Recorders are highly ruggedized instruments, designed to absorb the shock equivalent to that of an object traveling at 268 knots stopping in 18 inches, fire resistant to 1,100 degrees centigrade and pressure resistance equal to 20,000 feet undersea for 30 days. Management believes that the Company has the leading worldwide market position for CVR's and FDR's.

-- Antenna Systems

Under the Randtron brand name, L-3 produces high performance antennas designed for surveillance, high-resolution, ultra-wide frequency bands, detection of low radar cross section ("LRCS") targets, LRCS installations, severe environmental applications and polarization diversity. L-3's main antenna product is a sophisticated 24-foot diameter antenna operational on all E-2C aircraft. This airborne antenna consists of a 24-foot rotating aerodynamic oblate spheroid radome containing a UHF surveillance radar antenna, IFF antenna and forward and aft auxiliary antennas. This antenna began production in the early 1980s, and production is planned beyond 2000 for the E-2C, P3 and C-130 AEW aircraft. L-3 also produces broad-band antennas for a variety of tactical aircraft and rotary joints for the AWAC's and E-2C's antenna. Randtron has delivered approximately 2,000 aircraft sets of antennas and has a current backlog through 1999.

-- Display Systems

L-3 specializes in the design, development and manufacture of ruggedized display system solutions for military and high-end commercial applications. L-3's current product lines include cathode ray tubes ("CRTs") and the Actiview family of active matrix liquid crystal displays ("AMLCD"). L-3 manufactures flat-panel displays with diagonal screen sizes of 10.4 and 20.1 inches that are in platforms such as E-2C (enhanced main display unit and Q-70 advanced display system), F-14, F-117 and V-22.

Telemetry and Instrumentation

The Company is a leader in component products used in telemetry and instrumentation for satellites, aircraft, UAVs, launch vehicles and missiles. Telemetry involves the collection of data from these platforms, its transmission to ground stations for analysis, and its further dissemination or transportation to another platform. A principal use of this telemetry data is to measure as many as 1,000 different parameters of the platform's operation (in much the same way as a flight data recorder on an airplane measures various flight parameters) and transmits this data to the ground.

Additionally, for satellite platforms, the equipment also provides the command uplink that controls the satellite. In these applications, high reliability of components is crucial because of the high cost of satellite repair and the length of uninterrupted service required. Telemetry also provides the data to terminate the flight of missiles and rockets under errant conditions and/or at the end of mission.

-- Airborne, Ground and Space Telemetry

The Company provides airborne equipment and data link systems to gather critical information and to process, format and transmit it to the ground through communication data links from a communications satellite, spacecraft, aircraft and/or missile. These products are available in both COTS and custom configurations. Major customers are the major defense contractors who manufacture aircraft, missiles, warheads, launch vehicles, munitions and bombs. Ground instrumentation activity occurs at the ground station where the serial stream of combined data is received and decoded in real-time, as it is received from the airborne platform. Data can be encrypted and decrypted during this process, an additional expertise that the Company offers. L-3 offers the System 500 which interfaces with airborne telemetry and helps determine if it is within certain parameters of its flight pattern and displays the information graphically on a ground station terminal. The Company is currently developing the NeTstar ground station terminal which is capable of handling compressed satellite mission time frames.

-- Range Instrumentation

A ground-based application for the Company is range instrumentation, where equipment that is worn by soldiers or mounted in vehicles transmit and receive data that is used for test and evaluation of training missions. The Company's Digital Communication Network Subsystem ("DCNS") product allows for more effective monitoring and control of training and testing ranges.

-- Transportable Radios

The Company also manufactures transportable, tunable, microwave radios used for commercial and military voice and data communication service restoration and features rugged, modularized systems capable of data rates up to 155 Mb/s. Frequencies are tunable in RF bands from 1.7 GHz to 19.7 GHz with simple plug-in radio frequency heads. The radios are encased in portable, all-weather outdoor housing for use in restoration and temporary service and military tactical communications.

-- Expendable Countermeasure Systems

L-3 designs, develops and produces radar, infrared, electro-optical and acoustic expendable countermeasure systems, computer-controlled launchers and dispensers for ships, aircraft, ground vehicles and base defense. L-3 is the world leader in the design, development and production of passive off-board ship defense countermeasures systems for the U.S. Navy and international customers. The products include the MK 214 and MK 216 Sea Gnat Decoys, which are the seduction and distraction decoys used by the U.S. Navy and NATO for ship defense against radar-guided threats. L-3 also manufactures Automatic Launch of Expendables ("ALEX"), a

completely automated ship-defense launch system that takes threat information from the ship's warning system and speed, direction and wind conditions from the ship's navigation system and initiates the optimum countermeasure response and/or maneuver based on the decoy load-out inventory.

-- Commercial Communication Products

The Company and GE Medical Systems have jointly developed GEMnet(Trademark), a cardiac image management and archive system. GEMnet(Trademark) eliminates the use of cinefilm in a cardiac catheterization laboratory by providing a direct digital connection to the laboratory. The system provides for acquisition, display, analysis and short-and long-term archive of cardiac patient studies, providing significant cost savings and process improvements to the hospital. EchoNet(Trademark) is a digital archive management and review system designed by the Company specifically for the echocardiology profession. Echonet(Trademark) is the result of an exclusive strategic partnership with Heartlab, Inc. and is distributed by Nova Microsonics. The system accepts digital echocardiology studies from a variety of currently available ultrasound systems, manages the studies, making them available on a network, and allows the physicians and technicians to become more productive. DICOMView(Trademark) is a multimodal, low-cost viewing station designed by the Company for use with standard IBM-compatible and Macintosh personal computer platforms. It makes full motion, full fidelity diagnostic images accessible for the cardiologist, surgeon and referring physician. EchoNet(Trademark) and DICOMView(Trademark) are trademarks of Heartlab, Inc. GEMnet(Trademark) is a trademark of GE.

Major Customers

The Company's sales are predominantly derived from contracts with agencies of, and prime contractors to, the Government. The various Government customers exercise independent purchasing decisions. Sales to the Government generally are not regarded as constituting sales to one customer. Instead, each contracting entity is considered to be a separate customer. In 1996, the Company performed under approximately 180 contracts with value exceeding $1 million for the Government. Government pro forma sales in 1996, including pro forma sales to the Government through prime contractors, were $529 million. Historical sales to Lockheed Martin were $70.7 million in 1996. The Company's largest program, representing 14% of 1996 pro forma sales, is a long-term, sole source cost plus support program for the U-2 Directorate. No other program represented more than 7% of pro forma 1996 sales.

Research and Development

The Company employs scientific, engineering and other personnel to improve its existing product lines and to develop new products and technologies in the same or related fields. As of December 31, 1996, the Company employed approximately 1,580 engineers (of whom over 35% hold advanced degrees). The pro forma amounts of research and development performed under customer-funded contracts and Company-sponsored research projects, including bid and proposal costs, for 1996 were $153.5 million and $36.5 million, respectively.

Competition

The Company's ability to compete for defense contracts depends to a large extent on the effectiveness and innovativeness of its research and development programs, its ability to offer better program performance than its competitors at a lower cost to the Government customer, and its readiness in facilities, equipment and personnel to undertake the programs for which it competes. In some instances, programs are sole source or work directed by the Government to a single supplier. In such cases, there may be other suppliers who have the capability to compete for the programs involved, but they can only enter or reenter the market if the Government should choose to reopen the particular program to competition. Approximately 67% of the Company's 1996 pro forma sales related to sole source contracts.

The Company experiences competition from industrial firms and U.S. government agencies, some of which have substantially greater resources. These competitors include: Allied Signal Inc., AMP, Inc., Aydin Corporation, Cubic Corporation, GTE Corporation, Harris Corporation, GM Hughes Electronics, Motorola, Inc., Raytheon Company and Titan Corporation. A majority of the sales of the Company is derived from contracts with the Government and its prime contractors, and such contracts are awarded on the basis of negotiations or competitive bids. Management does not believe any one competitor or a small number of competitors is dominant in any of the business areas of the Company. Management believes the Company will continue to be able to compete successfully based upon the quality and cost competitiveness of its products and services.

Patents and Licenses

Although the Company owns some patents and has filed applications for additional patents, it does not believe that its operations depend upon its patents. In addition, the Company's Government contracts generally license it to use patents owned by others. Similar provisions in the Government contracts awarded to other companies make it impossible for the Company to prevent the use by other companies of its patents in most domestic work.

Backlog

As of December 31, 1996, the Company's funded backlog was approximately $542.5 million. This backlog provides management with a useful tool to project sales and plan its business on an on-going basis; however, no assurance can be given that the Company's backlog will become revenues in any particular period or at all. Funded backlog does not include the total contract value of multi-year, cost-plus reimbursable contracts, which are funded as costs are incurred by the Company. Funded backlog also does not include unexercised contract options which represent the amount of revenue which would be recognized from the performance of contract options that may be exercised by customers under existing contracts and from purchase orders to be issued under indefinite quantity contracts or basic ordering agreements. Backlog is a more relevant predictor of future sales in the Secure Communication Systems business area. Current funded backlog in Secure Communication Systems as of December 31, 1996 was $331.5 million, of which approximately 81.3% is

expected to be shipped in 1997. The Company believes backlog is a less relevant factor in the Specialized Communication Products business area given the nature of its catalog and commercial oriented business. Overall, approximately 77% of the Company's December 31, 1996 funded backlog is expected to be shipped in 1997.

	Funded Backlog as of December 31, 1996 ($ in millions)
Secure Communication Systems	$331.5
Communication Products	211.0
	$542.5

Government Contracts

Approximately 78.4% of the Company's 1996 pro forma sales were made to agencies of the Government or to prime contractors or subcontractors of the Government.

Approximately 58% of the Company's pro forma 1996 sales mix of contracts were firm fixed price contracts under which the Company agrees to perform for a predetermined price. Although the Company's fixed price contracts generally permit the Company to keep profits if costs are less than projected, the Company does bear the risk that increased or unexpected costs may reduce profit or cause the Company to sustain losses on the contract. Generally, firm fixed price contracts offer higher margin than cost plus type contracts. All domestic defense contracts and subcontracts to which the Company is a party are subject to audit, various profit and cost controls and standard provisions for termination at the convenience of the Government. Upon termination, other than for a contractor's default, the contractor will normally be entitled to reimbursement for allowable costs and to an allowance for profit. Foreign defense contracts generally contain comparable provisions relating to termination at the convenience of the government. To date, no significant fixed price contract of the Company has been terminated.

Companies supplying defense-related equipment to the Government are subject to certain additional business risks peculiar to that industry. Among these risks are the ability of the Government to unilaterally suspend the Company from new contracts pending resolution of alleged violations of procurement laws or regulations. Other risks include a dependence on appropriations by the Government, changes in the Government's procurement policies (such as greater emphasis on competitive procurements) and the need to bid on programs in advance of design completion. A reduction in expenditures by the Government for products of the type manufactured by the Company, lower margins resulting from

increasingly competitive procurement policies, a reduction in the volume of contracts or subcontracts awarded to the Company or substantial cost overruns would have an adverse effect on the Company's cash flow.

Properties

The table below sets forth, as of December 31, 1996, certain information with respect to L-3's manufacturing facilities and properties.

Location	Owned	Leased
	(thousands of square feet)	
L-3 Headquarters, NY	--	58.5
Secure Communication Systems:		
Camarillo, CA	--	1.8
El Segundo, CA	--	1.4
Santa Clara, CA	--	5.9
Santa Maria, CA	--	9.8
Colorado Springs, CO	--	5.8
Camden, NJ	--	588.6
Tinton Falls, NJ	--	0.8
Salt Lake City, UT	--	457.6
Specialized Communication Products:		
Folsom, CA	--	57.5
Lancaster, CA	--	5.4
Menlo Park, CA	--	93.0
Rancho Cordova, CA	--	40.4
Redwood City, CA	--	5.2
San Diego, CA	196.0	68.9
San Mateo, CA	--	14.8
Santa Clara, CA	--	2.0
Merrill Island, FL	--	1.2
Sarasota, FL	303.6	--
Alpharetta, GA	40.0	--
Atlanta, GA	52.1	--
Norcross, GA	--	4.8
Haverhill, MA	8.0	--
Lowell, MA	--	47.0
Woburn, MA	106.0	--
Hauppauge, NY	150.0	--
Warminster, PA	44.7	--
Slough, Berkshire (U.K.)	--	1.4
Total	900.4	1,471.8

Legal Proceedings

From time to time the Company is involved in legal proceedings arising in the ordinary course of its business. As part of the Acquisition, the Company has agreed to assume certain litigation relating to the Businesses and Lockheed Martin has agreed to indemnify the Company, up to certain limits, for a breach of its representations and warranties. Management believes it is adequately reserved for these liabilities and that there is no litigation pending that could have a material adverse effect on the Company or its operations, except as discussed below.

As of June 30, 1997, the Company and Universal Avionics Systems Corporation ("Universal") has reached a settlement with respect to a lawsuit brought by Universal against the Company's Aviation Recorders operation ("Aviation Recorders"). The terms of this settlement will not have a material adverse effect on the Company's financial condition or results of operations.

Environmental Matters

The Company's operations are subject to various federal, state and local environmental laws and regulations relating to the discharge, storage, treatment, handling, disposal and remediation of certain materials, substances and wastes used in or resulting from its operations. The Company continually assesses its obligations and compliance with respect to these requirements. Based on a review by an independent environmental consulting firm and its own internal assessments, management believes that the Company's current operations are in substantial compliance with all existing applicable environmental laws and regulations. New environmental protection laws that will be effective in 1997 and thereafter may require the installation of environmental protection equipment at the Company's manufacturing facilities. However, the Company does not believe that its environmental expenditures, if any, will have a material adverse effect on its financial condition or results of operations.

Pursuant to the Transaction Agreement, the Company has agreed to assume certain on-site and off-site environmental liabilities related to events or activities occurring prior to the consummation of the Transaction. Lockheed Martin has agreed to retain all environmental liabilities for all facilities not used by the Businesses as of the Closing and to indemnify fully the Company for such prior site environmental liabilities. Lockheed Martin has also agreed, for the first eight years following the Closing, to pay 50% of all costs incurred by the Company above those reserved for on the Company's balance sheet at Closing relating to certain Company-assumed environmental liabilities and, for the seven years thereafter, to pay 40% of certain reasonable operation and maintenance costs relating to any environmental remediation projects undertaken in the first eight years. The Company is aware of environmental contamination at two of its facilities that will require ongoing remediation. Management believes that the Company has established adequate reserves for the potential costs associated with the assumed environmental liabilities. However, there can be no assurance that any costs incurred will be reimbursable from the Government or covered by Lockheed Martin under the terms of the Transaction Agreement or that the Company's environmental reserves will be sufficient.

Pension Plans

The Transaction Agreement provides for transfer by Lockheed Martin of certain assets to L-3 and assumption by L-3 of certain liabilities relating to defined benefit pension plans for present and former employees and retirees of certain businesses transferred to L-3. Lockheed Martin received a letter from the Pension Benefit Guaranty Corporation (the "PBGC") which requested information regarding the transfer of such pension plans. The PBGC's letter indicated that it believed certain of the employee pension plans were underfunded using the PBGC's actuarial assumptions (which assumptions result in a larger liability for accrued benefits than the assumptions used for financial reporting under Statement of Financial Accounting Standards No. 87, "Accounting for Pension Costs" ("FASB 87")). The Company has calculated the net funding position of the pension plans to be transferred and believes the plans to be overfunded by approximately $1 million under ERISA assumptions, underfunded by approximately $9 million under FASB 87 assumptions and, on a termination basis, underfunded by as much as $51 million under PBGC assumptions. Substantially all of the PBGC underfunding is related to two pension plans covering employees at L-3's Communication Systems -- Salt Lake and Aviation Recorders businesses (the "Salt Lake and Fairchild Plans").

Pursuant to the PBGC's inquiry, representatives of the Company and Lockheed Martin met with the PBGC on April 7, 1997. At this meeting, the PBGC stated that it would seek some form of commitment or undertaking from Lockheed Martin acceptable to it with regard to the Salt Lake and Fairchild Plans and the pension plan covering employees at Hycor, another business being acquired by L-3 in the Acquisition (collectively, the "Subject Plans"). Lockheed Martin has agreed to provide such a commitment in an agreement (the "Lockheed Martin Commitment Agreement") among Lockheed Martin, L-3 and the PBGC dated as of April 30, 1997. The material terms and conditions of the Lockheed Martin Commitment Agreement include a commitment by Lockheed Martin to, under certain circumstances, assume sponsorship of the Subject Plans or provide another form of financial support for the Subject Plans. The Lockheed Martin Commitment Agreement will continue until such time as the Subject Plans are no longer underfunded on a PBGC basis for two consecutive years or, at any time after May 31, 2002, the Company achieves investment grade credit ratings. Pursuant to the Lockheed Martin Commitment Agreement, the PBGC has agreed that it will take no further action in connection with the Transaction.

In return for the Lockheed Martin Commitment, the Company has entered into an agreement with Lockheed Martin, dated as of April 30, 1997, pursuant to which the Company will provide certain assurances to Lockheed Martin including, but not necessarily limited to, (i) continuing to fund the Subject Plans consistent with prior practices and to the extent deductible for tax purposes and, where appropriate, recoverable under Government contracts, (ii) agreeing to not increase benefits under the Subject Plans without the consent of Lockheed Martin, (iii) restricting the Company from a sale of any businesses employing individuals covered by the Subject Plans if such sale would not result in reduction or elimination of the Lockheed Martin Commitment with regard to the specific plan and (iv) if the Subject Plans were returned to Lockheed Martin, granting Lockheed Martin the right to seek recovery from the Company of those amounts actually paid, if any, by Lockheed Martin with regard to the Subject Plans after their return. In addition, upon the

occurrence of certain events, Lockheed Martin, at its option, will have the right to decide whether to assume sponsorship of any or all of the Subject Plans, even if the PBGC has not sought to terminate the Subject Plans.

The Company believes, based in part upon discussions with its consulting actuaries, that the increase in pension expenses and future funding requirements, if any, from those currently anticipated for the Subject Plans would not be material.

Employees

As of March 31, 1997, the Company employed approximately 5,000 full-time and part-time employees. The Company believes that its relations with its employees are good.

Approximately 580 of the Company's employees at its Communication Systems -- Camden operation in Camden, New Jersey are represented by four unions, the Association of Scientists and Professional Engineering Personnel, the International Federation of Professional and Technical Engineers, the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers and an affiliate of the International Brotherhood of Teamsters. Three of the four collective bargaining agreements expire in mid-1998. While the Company has not yet initiated discussions with representatives of these unions, management believes it will be able to negotiate, without material disruption to its business, satisfactory new collective bargaining agreements with these employees. However, there can be no assurance that a satisfactory agreement will be reached with the covered employees or that a material disruption to the Company's Camden operations will not occur.

THE TRANSACTION

The Acquisition

Holdings and L-3 were formed by Mr. Frank C. Lanza, the former President and Chief Operating Officer of Loral, Mr. Robert V. LaPenta, the former Senior Vice President and Controller of Loral, the Lehman Partnership and Lockheed Martin to acquire substantially all of the assets and certain liabilities of (i) nine business units previously purchased by Lockheed Martin as part of its acquisition of Loral in April 1996 and (ii) one business unit, Communications Systems -- Camden, purchased by Lockheed Martin as part of its acquisition of GE Aerospace in April 1993. The total consideration paid to Lockheed Martin was $525 million, comprised of $480 million of cash before an estimated $20 million reduction related to a purchase price adjustment, and $45 million of common equity being retained by Lockheed Martin. L-3 is a wholly-owned subsidiary of Holdings. Holdings was capitalized with $125 million of common equity, with Messrs. Lanza and LaPenta owning 15.0%, the Lehman Partnership owning 50.1% and Lockheed Martin owning 34.9%.

Transaction Agreement

The Transaction Agreement provides for the transfer by Lockheed Martin to Holdings of substantially all of the assets and certain of the liabilities primarily related to the Businesses. The assets transferred include, among other things, real property and leases for the business units, all contracts including government contracts, and bids for such contracts, all machinery and equipment used primarily in connection with the Businesses and, subject to certain limitations, all intellectual property used primarily in the Businesses. The Transaction Agreement provides that L-3 be capitalized with $125 million of common entity provided by Holdings and assume the liabilities and obligations of Lockheed Martin relating to the Businesses other than certain income and franchise tax liabilities arising prior to the closing of the Acquisition, certain pension liabilities, certain environmental liabilities and certain other excluded liabilities. As consideration for the transfer of the assets by Lockheed Martin, Holdings paid Lockheed Martin $479.8 million (subject to adjustment based on the difference between $269.1 million and the audited combined net tangible assets (as defined in the Transaction Agreement) of the Businesses at the end of the month immediately preceding the Closing) and Holdings issued to Lockheed Martin 6,980,000 shares of its Class A Common Stock.

The Transaction Agreement contains mutually agreed upon and customary representations, warranties and covenants. Lockheed Martin has agreed to indemnify Holdings, subject to certain limitations, for its breach of (i) non-environmental representations and warranties up to $50 million (subject to a $5 million threshold) and (ii) for the first eight years following the Closing, to pay 50% of all costs incurred by the Company above those reserved for on the Company's balance sheet at Closing relating to certain Company-assumed environmental liabilities and, for the seven years thereafter, 40% of certain reasonable operation and maintenance costs relating to any environmental remediation projects undertaken in the first eight years (subject to a $6 million threshold).

In connection with the Transaction Agreement, Holdings, the Company and Lockheed Martin have entered into a transition services agreement

pursuant to which Lockheed Martin will provide to Holdings and its subsidiaries (and Holdings will provide to Lockheed Martin) certain corporate services of a type currently provided at costs consistent with past practices until December 31, 1997 (or, in the case of Communication Systems -- Camden, for a period of up to 18 months after the Closing) and the parties also entered into supply agreements which reflect existing intercompany work transfer agreements or similar support arrangements upon prices and other terms consistent with the present arrangements. Holdings, the Company and Lockheed Martin have entered into certain subleases of real property and cross-licenses of intellectual property.

In addition, Holdings and Lockheed Martin have entered into a Limited Noncompetition Agreement (the "Noncompetition Agreement") which, for up to three years, in certain circumstances, precludes Lockheed Martin from engaging in the sale of any products that compete with the products of the Company that are set forth in the Noncompetition Agreement for specifically identified application of the products. Under the Noncompetition Agreement, Lockheed Martin is prohibited, with certain exceptions, from acquiring any business engaged in the sale of the specified products referred to in the preceding sentence, although Lockheed Martin may acquire such a business under circumstances where the exceptions do not apply provided that it offers to sell such business to L-3 within 90 days of its acquisition. The Noncompetition Agreement does not, among other exceptions, (i) apply to businesses operated and managed by Lockheed Martin on behalf of the United States government, (ii) prohibit Lockheed Martin from engaging in any existing businesses and planned businesses as of the closing of the Transaction or businesses that are reasonably related to existing or planned businesses or (iii) apply to selling competing products where such products are part of a larger system sold by Lockheed Martin.

Stockholders Agreement

At Closing, Holdings, Lockheed Martin, the Lehman Partnership and Messrs. Lanza and LaPenta entered into a stockholders agreement (the "Stockholders Agreement") which, except for certain provisions including those granting registration rights, terminates upon the consummation of an initial public offering of equity securities by Holdings.

The Stockholders Agreement provides that the Board of Directors will initially consist of 11 members including six designees of the Lehman Partnership, three designees of Lockheed Martin, and Messrs. Lanza and LaPenta. The number of directors which the Lehman Partnership and Lockheed Martin have the right to designate will be reduced in proportion to any reduction in their ownership of Common Stock, but as long as the Lehman Partnership continues to own at least 35% of the outstanding Common Stock and represents the largest single stockholder of Holdings, it may designate a majority of the members of the Board of Directors.

Under the Stockholders Agreement Holdings is prohibited from commencing an initial public offering for one year after the Closing without the consent of each of the parties to the agreement. If an initial public offering has not occurred five years after the Closing, the Lehman Partnership and Lockheed Martin each have the right to require Holdings to consummate an initial public offering, provided that they and their permitted transferees own at least 50% of the Common Stock that they owned on the date of the Closing.

The Stockholders Agreement restricts the transfer of shares of Common Stock by any party to the agreement for one year and requires that any shares transferred thereafter first be offered for sale to the other stockholders and Holdings. As to sales of shares by the Lehman Partnership that occur one year after the Closing and prior to the consummation of an initial public offering and that result in the Lehman Partnership no longer owning at least 35% of the issued and outstanding Common Stock, (i) Messrs. Lanza and LaPenta are permitted to "tag along" (as well as Lockheed Martin, if either Lanza or LaPenta elects to "tag along") and (ii) the Lehman Partnership has the right to "drag along" Messrs. Lanza and LaPenta (and at the option of Lockheed Martin, Lockheed Martin may sell shares in such transaction). Under the Stockholders Agreement Lockheed Martin is subject to a standstill arrangement which generally prohibits any increase in its share ownership percentage over 34.9%.

The Stockholders Agreement also provides that Lehman Brothers Inc. has the exclusive right to provide investment banking services to Holdings for the five-year period after the Closing (except that the exclusivity period is three years as to cash acquisitions undertaken by L-3). In the event that Lehman Brothers Inc. agrees to provide any investment banking services to L-3, it will be paid fees that are mutually agreed upon based on similar transactions and practices in the investment banking industry.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Holdings and L-3 were formed by Senior Management, the Lehman Partnership and Lockheed Martin to acquire substantially all of the assets and liabilities of the Businesses. The total consideration paid to Lockheed Martin was $525 million, comprising $480 million of cash before an estimated $20 million reduction related to a purchase price adjustment, including $45 million of common equity retained by Lockheed Martin. The Transaction Agreement provides for the transfer by Lockheed Martin to Holdings of such assets and liabilities. Under the Transaction Agreement, Lockheed Martin has agreed to indemnity L-3, subject to certain limitations, for Lockheed Martin's breach of representations and warranties and L-3 has assumed certain obligations relating to environmental matters and benefits plans.

In connection with the Transaction Agreement, Holdings, L-3 and Lockheed Martin have entered into a transition services agreement pursuant to which Lockheed Martin will provide to L-3 and its subsidiaries (and L-3 will provide to Lockheed Martin) until December 31, 1997 (or, in the case of Communications Systems - Camden, for a period of up to 18 months after the closing) certain corporate services of a type previously provided at costs consistent with past practices. The parties also entered into supply agreements which reflect existing intercompany work transfer agreements or similar support arrangements based upon prices and other terms consistent with previously existing arrangements. Holdings, L-3 and Lockheed Martin have entered into certain subleases of real property and cross-licenses of intellectual property.

In addition, at closing, Holdings, Lockheed Martin, Lehman Partnership and Messrs. Lanza and LaPenta entered into the Stockholders Agreement. See "Risk Factors-Dependence on Lockheed Martin, "Business - Environmental Matters" and "-Pension Plans" and "The Transaction - Transaction Agreement" and "-Stockholders Agreement."

In the ordinary course of business L-3 sells products to Lockheed Martin and its affiliates. Net sales for which were $18.6 million and $21.2 million for the three month periods ended June 30, 1997 and March 31, 1997, respectively, and $70.7 million, $25.9 million and $10.0 million for the years ended December 31, 1996, 1995 and 1994, respectively. See Note 3 to the Lockheed Martin Predecessor Businesses combined financial statements as of March 31, 1997 and for the three months ended March 31, 1997 and 1996, on page F-29.

Sales of products to Lockheed Martin after the closing of the Transaction, excluding those under existing intercompany work transfer agreements, will be on an arms length basis similar to sales by L-3 to other third-party customers and, in many cases, will be the result of competitive bidding procedures.

MANAGEMENT

Directors and Executive Officers

The following table provides information concerning the directors and executive officers of Holdings after giving effect to the Transaction. All directors hold office until the next annual meeting of the stockholders. All officers serve at the discretion of the Board of Directors.

Name	Age	Position
Frank C. Lanza	65	Chairman, Chief Executive Officer and Director
Robert V. LaPenta	51	President, Chief Financial Officer and Director
Michael T. Strianese	41	Vice President--Finance and Controller
Christopher C. Cambria	39	Vice President--General Counsel and Secretary
Robert F. Mehmel	34	Vice President--Planning and Assistant Secretary
Jimmie V. Adams	60	Vice President--Washington D.C. Operations
Robert RisCassi	61	Vice President--Washington D.C. Operations
Steven J. Berger	40	Director
David J. Brand	35	Director
Alberto M. Finali	43	Director
Eliot M. Fried	63	Director
Robert B. Millard	46	Director
Alan H. Washkowitz	56	Director
Thomas A. Corcoran	53	Director
Frank H. Menaker, Jr.	56	Director
John E. Montague	42	Director

Frank C. Lanza, Chairman and CEO. Mr. Lanza was Executive Vice President of Lockheed Martin and a member of Lockheed Martin's Executive Council and Board of Directors. Mr. Lanza was formerly President and COO of Lockheed Martin's C3I and Systems Integration Sector, which comprised many of the businesses acquired by Lockheed Martin from Loral in 1996. At the time of the Loral acquisition, Mr. Lanza was President and COO of Loral, a position he held since 1981. He joined Loral in 1972 as President of its largest division, Electronic Systems. His earlier experience was with Dalmo Victor and Philco Western Development Laboratory.

Robert V. LaPenta, President and Chief Financial Officer. Mr. LaPenta was a Vice President of Lockheed Martin and was Vice President and Chief Financial Officer of Lockheed's C3I and Systems Integration Sector. Prior to Lockheed Martin's acquisition of Loral, he was Loral's Senior Vice President and Controller since 1981. He joined Loral in 1972 and was named Vice President and Controller of its largest division in 1974. He became Corporate Controller in 1978 and was named Vice President in 1979.

Michael T. Strianese, Vice President--Finance and Controller. Mr. Strianese was Vice President and Controller of Lockheed Martin's C3I and Systems Integration Sector. From 1991 to the 1996 acquisition of Loral, he

was Director of Special Projects at Loral. Prior to joining Loral, he spent 11 years with Ernst & Young. Mr. Strianese is a Certified Public Accountant.

Christopher C. Cambria, Vice President--General Counsel and Secretary. Mr. Cambria joined Holdings in June 1997. From 1994 until joining Holdings, Mr. Cambria was associated with Fried, Frank, Harris, Shriver & Jacobson. From 1986 until 1993, he was associated with Cravath, Swaine & Moore.

Robert F. Mehmel, Vice President -- Planning and Assistant Secretary. Mr. Mehmel was the Director of Financial Planning and Capital Review for Lockheed Martin's C3I and Systems Integration Sector. From 1984 to 1996, Mr. Mehmel held several accounting and financial analysis positions at Loral Electronic Systems and Loral. At the time of Lockheed Martin's acquisition of Loral, he was Corporate Manager of Business Analysis.

Jimmie V. Adams, Vice President -- Washington, D.C. Operations. General Jimmie V. Adams (U.S.A.F.-ret.) was Vice President of Lockheed Martin's Washington Operations for the C3I and Systems Integration Sector. He held the same position at Loral and was an officer of Loral, prior to its acquisition by Lockheed Martin. Before joining Loral in 1993, he was Commander in Chief, Pacific Air Forces, Hickam Air Force Base, Hawaii, capping a 35-year career with the U.S. Air Force. He was also Deputy Chief of Staff for plans and operation for U.S. Air Force headquarters and Vice Commander of Headquarters Tactical Air Command and Vice Commander in Chief of the U.S. Air Forces Atlantic at Langley Air Force Base. He is a command pilot with more than 141 combat missions.

Robert RisCassi, Vice President -- Washington, D.C. Operations. General Robert W. RisCassi, Vice President, Land Systems (U.S. Army-ret.) was Vice President of Land Systems for Lockheed Martin's C3I and Systems Integration Sector. He held the same position for Loral, prior to its acquisition by Lockheed Martin. He joined Loral in 1993 after retiring as U.S. Army Commander in Chief, United Nations Command/Korea. His 35-year military career included posts as Army Vice Chief of Staff; Director, Joint Staff, Joint Chiefs of Staff; Deputy Chief of Staff for Operations and Plans; and Commander of the Combined Arms Center.

Steven J. Berger, Director. Mr. Berger is a Managing Director of Lehman Brothers, Co-Head of the Investment Banking Division and Head of the Merchant Banking Group. Mr. Berger joined Lehman Brothers in 1983 in the Investment Banking Division and spent the early part of his career working on principal investment, merger-related advisory and corporate finance transactions. Mr. Berger became a Managing Director and Head of European Investment Banking in 1991, Head of the Merchant Banking Group in 1995 and Co-Head of the Investment Banking Division in 1996. Mr. Berger holds an M.B.A. and an A.B. Economics, with honors, from Harvard University.

David J. Brand, Director. Mr. Brand is a Managing Director of Lehman Brothers and a principal in the Global Mergers & Acquisitions Group, leading Lehman Brothers' Technology Mergers and Acquisitions business. Mr. Brand joined Lehman Brothers in 1987 and has been responsible for merger and corporate finance advisory services for many of Lehman Brothers' technology and defense industry clients. Mr. Brand holds an M.B.A. from

Stanford University's Graduate School of Business and a B.S. in Mechanical Engineering from Boston University.

Alberto M. Finali, Director. Mr. Finali is a Managing Director of Lehman Brothers and principal of the Merchant Banking Group, based in New York. Prior to joining the Merchant Banking Group Mr. Finali spent four years in Lehman Brothers' London office as a senior member of the M&A Group. Mr. Finali joined Lehman Brothers in 1987 as a member of the M&A Group in New York and became a Managing Director in 1997. Prior to joining Lehman Brothers, Mr. Finali worked in the Pipelines and Production Technology Group of Bechtel, Inc. in San Francisco. Mr. Finali holds an M.E. and an M.B.A. from the University of California at Berkeley, and a Laurea Degree in Civil Engineering from the Polytechnic School in Milan, Italy.

Eliot M. Fried, Director. Mr. Fried is a Managing Director of Lehman Brothers. Mr. Fried joined Shearson, Hayden Stone, a predecessor firm, in 1976 and became a Managing Director in 1982. Mr. Fried has extensive experience in portfolio management and equity research. Mr. Fried is currently a director of Bridgeport Machines, Inc., Energy Ventures, Inc., SunSource L.P., Vernitron Corporation and Walter Industries, Inc. Mr. Fried holds an M.B.A. from Columbia University and a B.A. from Hobart College.

Robert B. Millard, Director. Mr. Millard is a Managing Director of Lehman Brothers, Head of Lehman Brothers' Principal Trading & Investments Group and principal of the Merchant Banking Group. Mr. Millard joined Kuhn Loeb & Co. in 1976 and became a Managing Director of Lehman Brothers in 1983. Mr. Millard is currently a director of GulfMark International, Inc. and Energy Ventures, Inc. Mr. Millard holds an M.B.A. from Harvard University and a B.S. from the Massachusetts Institute of Technology.

Alan H. Washkowitz, Director. Mr. Washkowitz is a Managing Director of Lehman Brothers and principal of the Merchant Banking Group, and is responsible for the oversight of Lehman Brothers Merchant Banking Portfolio Partnership L.P. Mr. Washkowitz joined Lehman Brothers in 1978 when Kuhn Loeb & Co. was acquired by Lehman Brothers. Mr. Washkowitz is currently a director of Illinois Central Corporation, K&F Industries, Inc., Lear Corporation and McBride plc. Mr. Washkowitz holds an M.B.A. from Harvard University, a J.D. from Columbia University and an A.B. from Brooklyn College.

Thomas A. Corcoran, Director. Mr. Corcoran has been the President and Chief Operating Officer of the Electronic Systems Sector of Lockheed Martin Corporation since March 1995. From 1993 to 1995, Mr. Corcoran was President of the Electronics Group of Martin Marietta Corporation. Prior to that he worked for General Electric for 26 years and from 1983 to 1993 he held various management positions with GE Aerospace; he was a company officer from 1990 to 1993. Mr. Corcoran is a member of the Board of Trustees of Worcester Polytechnic Institute, the Board of Trustees of Stevens Institute of Technology, the Board of Governors of the Electronic Industries Association, a Director of the U.S. Navy Submarine League and a Director of REMEC Corporation.

Frank H. Menaker, Jr., Director. Mr. Menaker has served as Senior Vice President and General Counsel of Lockheed Martin since July 1996. He served as Vice President and General Counsel of Lockheed Martin from March

1995 to July 1996, as Vice President of Martin Marietta Corporation from 1982 until 1995 and as General Counsel of Martin Marietta Corporation from 1981 until 1995. He is a director of Martin Marietta Materials, Inc., a member of the American Bar Association and has been admitted to practice before the United States Supreme Court. Mr. Menaker is a graduate of Wilkes University and the Washington College of Law at American University.

John E. Montague, Director. Mr. Montague has been Vice President, Financial Strategies at Lockheed Martin responsible for mergers, acquisitions and divestiture activities and shareholder value strategies since March, 1995. Previously, he was Vice President, Corporate Development and Investor Relations at Martin Marietta Corporation from 1991 to 1995. From 1988 to 1991, he was Director of Corporate Development at Martin Marietta Corporation, which he joined in 1977 as a member of the engineering staff. Mr. Montague is a director of Rational Software Corporation. Mr. Montague received his B.S. from the Georgia Institute of Technology and a M.S. in engineering from the University of Colorado.

Director Compensation and Arrangements

It is not currently contemplated that the directors of Holdings or the Company will receive compensation for their services as directors. Members of the Board of Directors will be elected pursuant to certain voting agreements outlined in the Stockholders Agreement. See "The Transaction--Stockholders Agreement".

Executive Compensation

Benefit Plans

Holdings and the Company intend to establish benefit plans, which will provide substantially similar benefits to those provided by Lockheed Martin, including a pension plan, a nonqualified supplemental retirement plan, a defined contribution plan, a severance plan and a death benefit plan.

Management Incentive Compensation Plans

Holdings and the Company will establish an incentive compensation plan that will provide a bonus to selected employees based on the participant's base salary, target level, individual performance rating and organizational performance rating and a plan that will allow key management employees with base salaries of at least $80,000 to defer receipt of awards under the incentive compensation plan that exceed $10,000.

Stock Option Plan

Holdings sponsors an option plan (the "Option Plan") for key employees of Holdings and its subsidiaries, pursuant to which options to purchase an aggregate of 14% of Holdings' fully-diluted Common Stock outstanding at Closing will be granted (inclusive of the grants to Messrs. Lanza and LaPenta, see below under "--Employment Agreements"). The compensation committee of the Board of Directors of Holdings, in its sole discretion, determines the terms of option agreements, including without limitation the treatment of option grants in the event of a change of control.

Employment Agreements

Holdings entered into an employment agreement (the "Employment Agreements") with each of Mr. Lanza, who will serve as Chairman and Chief Executive Officer of the Company and Holdings and will receive a base salary of $750,000 per annum and appropriate executive level benefits, and Mr. LaPenta, who will serve as President and Chief Financial Officer of Holdings and the Company and will receive a base salary of $500,000 per annum and appropriate executive level benefits. The Employment Agreements provide for an initial term of five years, which will automatically renew for one-year periods thereafter, unless a party thereto gives notice of its intent to terminate at least 90 days prior to the expiration of the term. Upon a termination without cause (as defined) or resignation for good reason (as defined), Holdings will be obligated, through the end of the term, to (i) continue to pay the base salary and (ii) continue to provide life insurance and medical and hospitalization benefits comparable to those provided to other senior executives; provided, however, that any such coverage shall terminate to the extent that Mr. Lanza or Mr. LaPenta, as the case may be, is offered or obtains comparable benefits coverage from any other employer. The Employment Agreements provide for confidentiality during employment and at all times thereafter. There is also a noncompetition and non-solicitation covenant which is effective during the employment term and for one year thereafter; provided, however, that if the employment terminates following the expiration of the initial term, the noncompetition covenant will only be effective during the period, if any, that Holdings pays the severance described above.

Holdings has granted each of Messrs. Lanza and LaPenta (collectively, the "Equity Executives") nonqualified options to purchase, at $6.47 per share of Class A Common Stock, 5% of Holdings' initial fully-diluted common stock. In each case, half of the options will be "Time Options" and half will be "Performance Options" (collectively, the "Options"). The Time Options will become exercisable with respect to 20% of the shares subject to the Time Options on each of the first five anniversaries of the Closing if employment continues through and including such date. The Performance Options will become exercisable nine years after the Closing, but will become exercisable earlier with respect to up to 20% of the shares subject to the Performance Options on each of the first five anniversaries of the Closing, to the extent certain EBITDA targets are achieved. The Options will become fully exercisable under certain circumstances, including a change in control. The Option term is ten years from the Closing; except that (i) if the Equity Executive is fired for cause or resigns without good reason, the Options expire upon termination of employment; (ii) if the Equity Executive is fired without cause, resigns for good reason, dies, becomes disabled or retires, the Options expire one year after termination of employment. Unexercisable Options will terminate upon termination of employment, unless acceleration is expressly provided for. Upon a change of control, Holdings may terminate the Options, so long as the Equity Executives are cashed out or permitted to exercise their Options prior to such change of control.

Puts/Calls. In the event that an Equity Executive (i) is terminated without cause, (ii) resigns with good reason or (iii) retires (collectively, a "Good Termination"), the Equity Executive will have the right to require Holdings to, and Holdings will have the right to, purchase at the fair market value per share a number of (A) shares purchased upon exercise of Options ("Option Shares") and (B) Class B

Common Stock purchased at Closing ("Purchased Shares", and collectively with the Option Shares, the "Equity Shares") equal to the product of (1) the total number of Equity Shares held and (2) the Put/Call Percentage. The "Put/Call Percentage" will equal 75% at any time prior to the first anniversary of the Closing and will be reduced by 15% on each anniversary of the Closing thereafter. In addition, in the event of a Good Termination, the Equity Executive will have the right to require Holdings to, and Holdings will have the right to, purchase, at the fair market value per share less the exercise price per share, the number of shares subject to exercisable Options in an amount equal to the product of (i) the total number of shares subject to exercisable Options held and (ii) the Put/Call Percentage.

Following the termination of an Equity Executive's employment due to death or disability, the Equity Executive will have the right to require Holdings to, and Holdings will have the right to, purchase all of (i) the Equity Shares held by the Equity Executive at a per share price equal to the fair market value per share and (ii) the shares subject to Options held by the Equity Executive at the fair market value per share less the exercise price per share. Notwithstanding the foregoing, in the event of the Equity Executive's death, the Equity Executive's estate will have the right to retain 20% of the Purchased Shares.

In the event that an Equity Executive is terminated with cause or quits without good reason (a "Bad Termination"), Holdings will have the right to purchase any (i) Option Shares at the lesser of (A) the Equity Executive's cost and (B) fair market value and (ii) Purchased Shares at the lesser of (A) the Equity Executive's cost plus interest and (B) fair market value. In addition, in the event of a Bad Termination all Options will terminate without payment. The Equity Executive will not have the right to put the Equity Shares to Holdings in the event of a Bad Termination.

Notwithstanding the above, Holdings will not be required to purchase for cash any Equity Shares or shares subject to Options if such purchase would be or would result in a violation of the terms of its debt agreements or applicable statutes. In addition, no such purchase for cash will occur if in the reasonable opinion of the Board of Directors of Holdings (excluding the Equity Executives) such purchase would be reasonably likely to materially impact Holdings's available cash, require unsuitable additional debt to be incurred or otherwise have a material adverse effect on the financial condition of Holdings. If Holdings is unable to purchase any Equity Shares or shares subject to Options for cash due to any of the above reasons, Holdings will issue a subordinated note in the appropriate principal amount to the Equity Executive or his estate, as the case may be.

OWNERSHIP OF CAPITAL STOCK

All of the outstanding capital stock of the Company is held by Holdings. Class A Common Stock of Holdings ("Class A Common Stock") possesses full voting rights and Class B Common Stock of Holdings ("Class B Common Stock") and Class C Common Stock of Holdings ("Class C Common Stock and, together with Class A Common Stock and Class B Common Stock, "Common Stock") possess no voting rights except as otherwise required by law. Each share of Class B Common Stock will convert into a share of Class A Common Stock upon consummation of an initial public offering of equity securities of Holdings and certain other events and will convert into a share of Class C Common Stock upon certain other events. As of the Closing, there were 17,000,000 shares of Class A Common Stock and 3,000,000 shares of Class B Common Stock outstanding. The following table sets forth certain information regarding the beneficial ownership of the shares of the Common Stock of Holdings, upon consummation of the Transaction, by each person who beneficially owns more than five percent the outstanding shares of Common Stock of Holdings and by the directors and certain executive officers of the Company, individually and as a group.

Name of Beneficial Owner	Class A Common Stock	Class B Common Stock	Percentage Ownership of Common Stock
Lehman Brothers Capital Partners III, L.P. and affiliates c/o Lehman Brothers Inc. Three World Financial Center New York, New York 10285	10,020,000	--	50.1%
Lockheed Martin Corporation	6,980,000	--	34.9
Frank C. Lanza	--	1,500,000	7.5
Robert V. LaPenta	--	1,500,000	7.5
All directors and executive officers as group (15 persons)	--	3,000,000	15.0

DESCRIPTION OF SENIOR CREDIT FACILITIES

The Senior Credit Facilities have been provided by a syndicate of banks and other financial institutions led by Lehman Commercial Paper Inc., as Arranger and Syndication Agent. The Senior Credit Facilities provide for $175.0 million in term loans (the "Term Loan Facilities") and for $100.0 million in revolving credit loans (the "Revolving Credit Facility"). The Revolving Credit Facility includes borrowing capacity available for letters of credit and for borrowings on same-day notice (the "Swingline Loans"). The Term Loans are comprised of a Tranche A Term Loan ($100.0 million), which have a maturity of six years, a Tranche B Term Loan ($45.0 million), which have a maturity of eight years, and a Tranche C Term Loan ($30.0 million), which have a maturity of nine years. The Revolving Credit Facility commitment terminates six years after the date of initial funding of the Senior Credit Facilities.

All borrowings under the Senior Credit Facilities bear interest, at the Company's option, at either: (A) a "base rate" equal to, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate; and (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America NT&SA, as Administrative Agent, in San Francisco, California, as its "reference rate" plus (i) in the case of the Tranche A Term Loan, the Revolving Credit Facility and the Swingline Loans, a debt to EBITDA-dependent rate ranging from 0.50% to 1.25% per annum, (ii) in the case of the Tranche B Term Loan, a rate of 1.50% per annum or (iii) in the case of the Tranche C Term Loan, a rate of 1.75% per annum or (B) a "LIBOR rate" equal to, for any Interest Period (as defined in the Senior Credit Facilities), with respect to LIBOR Loans comprising part of the same borrowing, the London interbank offered rate of interest per annum for such Interest Period as determined by the Administrative Agent, plus (i) in the case of the Tranche A Term Loan and the Revolving Credit Facility, a debt to EBITDA-dependent rate ranging from 1.50% to 2.25% per annum, (ii) in the case of the Tranche B Term Loan, a rate of 2.50% per annum or (iii) in the case of the Tranche C Term Loan, a rate of 2.75% per annum.

The Company will pay a commitment fee calculated at a debt to EBITDA-dependent rate ranging from 0.375% to 0.50% per annum of the available unused commitment under the Revolving Credit Facility, in each case in effect on each day. Such fee will be payable quarterly in arrears and upon termination of the Revolving Credit Facility.

The Company will pay a letter of credit fee calculated at a debt to EBITDA-dependent rate ranging from 1.50% to 2.25% per annum of the face amount of each letter of credit and a fronting fee calculated at a rate equal to 0.125% per annum of the face amount of each letter of credit. Such fees will be payable quarterly in arrears and upon the termination of the Revolving Credit Facility. In addition, the Company will pay customary transaction charges in connection with any letters of credit.

The foregoing debt to EBITDA-dependent rates range from the low rate specified if the ratio of debt to EBITDA is less than 3.75 to 1.0 to the high rate specified if such ratio is at least equal to 4.75 to 1.0.

The Term Loans are subject to the following amortization schedule:

	Tranche A Term Loan	Tranche B Term Loan	Tranche C Term Loan
Year 1	$ 4,000,000	$ 500,000	$ 500,000
Year 2	5,000,000	500,000	500,000
Year 3	15,000,000	500,000	500,000
Year 4	21,000,000	500,000	500,000
Year 5	27,000,000	500,000	500,000
Year 6	28,000,000	500,000	500,000
Year 7	--	20,000,000	500,000
Year 8	--	22,000,000	500,000
Year 9	--	--	26,000,000

Borrowings under the Senior Credit Facilities is subject to mandatory prepayment (i) with the net proceeds of any incurrence of indebtedness with certain exceptions to be agreed, (ii) with the proceeds of certain asset sales and (iii) on an annual basis with (A) 75% of the Company's excess cash flow (as defined in the Senior Credit Facilities) if the ratio of the Company's debt to EBITDA is greater than 3.5 to 1.0 or (B) 50% of such excess cash flow if the ratio is less than 3.5 to 1.0.

The Company's obligations under the Senior Credit Facilities is secured by a lien on substantially all of the tangible and intangible assets of Holdings, the Company, and their direct and indirect subsidiaries, including: (i) a pledge by Holdings of the stock of the Company and (ii) a pledge by the Company and its direct and indirect subsidiaries of all of the stock of their respective domestic subsidiaries and 65% of the stock of the Company's first-tier foreign subsidiaries. In addition, indebtedness under the Senior Credit Facilities is guaranteed by Holdings and by all of the Company's direct and indirect domestic subsidiaries. See "Description of the Exchange Notes--Subordination", "Risk Factors--Subordination".

The Senior Credit Facilities contain customary covenants and restrictions on the Company's ability to engage in certain activities. In addition, the Senior Credit Facilities provide that the Company must meet or exceed certain interest coverage ratios and must not exceed a leverage ratio. The Senior Credit Facilities also include customary events of default.

THE EXCHANGE OFFER

General

The Company hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal (which together constitute the Exchange Offer), to exchange up to $225 million aggregate principal amount of Exchange Notes for a like aggregate principal amount of Old Notes properly tendered on or prior to the Expiration Date and not withdrawn as permitted pursuant to the procedures described below. The Exchange Offer is being made with respect to all of the Old Notes.

As of the date of this Prospectus, $225 million aggregate principal amount of the Old Notes is outstanding. This Prospectus, together with the Letter of Transmittal, is first being sent on or about , 1997, to all holders of Old Notes known to the Company. The Company's obligation to accept Old Notes for exchange pursuant to the Exchange Offer is subject to certain conditions set forth under "Certain Conditions to the Exchange Offer" below. The Company currently expects that each of the conditions will be satisfied and that no waivers will be necessary.

Purpose of the Exchange Offer

The Old Notes were issued on April 30, 1997 in a transaction exempt from the registration requirements of the Securities Act. Accordingly, the Old Notes may not be reoffered, resold, or otherwise transferred unless so registered or unless an applicable exemption from the registration and prospectus delivery requirements of the Securities Act is available.

In connection with the issuance and sale of the Old Notes, the Company entered into the Registration Rights Agreement, which requires the Company to file with the Commission a registration statement relating to the Exchange Offer not later than 90 days after the date of issuance of the Old Notes, and to use its best efforts to cause the registration statement relating to the Exchange Offer to become effective under the Securities Act not later than 150 days after the date of issuance of the Old Notes and the Exchange Offer to be consummated not later than 30 days after the date of the effectiveness of the Registration Statement (or use its best efforts to cause to become effective by the 180th calendar day after the Issuance Date (as defined) a shelf registration statement with respect to resales of the Old Notes). A copy of the Registration Rights Agreement has been filed as an exhibit to the Registration Statement.

The Exchange Offer is being made by the Company to satisfy its obligations with respect to the Registration Rights Agreement. The term "holder," with respect to the Exchange Offer, means any person in whose name Old Notes are registered on the books of the Company or any other person who has obtained a properly completed bond power from the registered holder, or any person whose Old Notes are held of record by The Depository Trust Company. Other than pursuant to the Registration Rights Agreement, the Company is not required to file any registration statement to register any outstanding Old Notes. Holders of Old Notes who do not tender their Old Notes or whose Old Notes are tendered but not accepted would have to rely on exemptions to registration requirements under the securities laws, including the Securities Act, if they wish to sell their Old Notes.

The Company is making the Exchange Offer in reliance on the position of the staff of the Commission as set forth in certain interpretive letters addressed to third parties in other transactions. However, the Company has not sought its own interpretive letter and there can be no assurance that the staff would make a similar determination with respect to the Exchange Offer as it has in such interpretive letters to third parties. Based on these interpretations by the Staff, the Company believes that the Exchange Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by a Holder (other than any Holder who is a broker-dealer or an "affiliate" of the Company within the meaning of Rule 405 of the Securities Act) without further compliance with the registration and prospectus delivery requirements of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such Holder's business and that such Holder is not participating, and has no arrangement or understanding with any person to participate, in a distribution (within the meaning of the Securities Act) of such Exchange Notes. See "--Resale of Exchange Notes". Each broker-dealer that receives Exchange Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See "Plan of Distribution".

Terms of the Exchange

The Company hereby offers to exchange, subject to the conditions set forth herein and in the Letter of Transmittal accompanying this Prospectus, $1,000 in principal amount of Exchange Notes for each $1,000 in principal amount of the Old Notes. The terms of the Exchange Notes are identical in all material respects to the terms of the Old Notes for which they may be exchanged pursuant to this Exchange Offer, except that the Exchange Notes will generally be freely transferable by holders thereof and will not be subject to any covenant regarding registration. The Exchange Notes will evidence the same indebtedness as the Old Notes and will be entitled to the benefits of the Indenture. See "Description of Exchange Notes".

The Exchange Offer is not conditioned upon any minimum aggregate principal amount of Old Notes being tendered for exchange.

The Company has not requested, and does not intend to request, an interpretation by the staff of the Commission with respect to whether the Exchange Notes issued pursuant to the Exchange Offer in exchange for the Old Notes may be offered for sale, resold or otherwise transferred by any holder without compliance with the registration and prospectus delivery provisions of the Securities Act. Instead, based on an interpretation by the staff of the Commission set forth in a series of no-action letters issued to third parties, the Company believes that Exchange Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for sale, resold and otherwise transferred by any holder of such Exchange Notes (other than any such holder that is a broker-dealer or is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such holder's business and

such holder has no arrangement or understanding with any person to participate in the distribution of such Exchange Notes and neither such holder nor any other such person is engaging in or intends to engage in a distribution of such Exchange Notes. Since the Commission has not considered the Exchange Offer in the context of a no-action letter, there can be no assurance that the staff of the Commission would make a similar determination with respect to the Exchange Offer. Any holder who is an affiliate of the Company or who tenders in the Exchange Offer for the purpose of participating in a distribution of the Exchange Notes cannot rely on such interpretation by the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction. Each holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes. Each broker-dealer that receives Exchange Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See "Plan of Distribution".

Interest on the Exchange Notes will accrue from the last Interest Payment Date on which interest was paid on the Old Notes so surrendered or, if no interest has been paid on such Notes, from April 30, 1997.

Tendering holders of the Old Notes shall not be required to pay brokerage commissions or fees or, subject to the instructions in the Letter of Transmittal, transfer taxes with respect to the exchange of the Old Notes pursuant to the Exchange Offer.

Expiration Date; Extension; Termination; Amendment

The Exchange Offer will expire at 5:00 p.m., New York City time, on _____, 1997, unless the Company, in its sole discretion, has extended the period of time for which the Exchange Offer is open (such date, as it may be extended, is referred to herein as the "Expiration Date"). The Expiration Date will be at least 20 business days after the commencement of the Exchange Offer in accordance with Rule 14e-1(a) under the Exchange Act. The Company expressly reserves the right, at any time or from time to time, to extend the period of time during which the Exchange Offer is open, and thereby delay acceptance for exchange of any Old Notes, by giving oral or written notice to the Exchange Agent and by timely public announcement no later than 9:00 a.m. New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all Old Notes previously tendered will remain subject to the Exchange Offer unless properly withdrawn.

The Company expressly reserves the right to (i) terminate or amend the Exchange Offer and not to accept for exchange any Old Notes not theretofore accepted for exchange upon the occurrence of any of the events specified below under "Certain Conditions to the Exchange Offer" which have not been waived by the Company and (ii) amend the terms of the Exchange Offer in any manner which, in its good faith judgment, is advantageous to the holders of the Old Notes, whether before or after any tender of the Notes. If any such termination or amendment occurs, the

Company will notify the Exchange Agent and will either issue a press release or give oral or written notice to the holders of the Old Notes as promptly as practicable.

For purposes of the Exchange Offer, a "business day" means any day other than Saturday, Sunday or a date on which banking institutions are required or authorized by New York State law to be closed, and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time. Unless the Company terminates the Exchange Offer prior to 5:00 p.m., New York City time, on the Expiration Date, the Company will exchange the Exchange Notes for the Old Notes on the Exchange Date.

Procedures for Tendering Old Notes

The tender to the Company of Old Notes by a holder thereof as set forth below and the acceptance thereof by the Company will constitute a binding agreement between the tendering holder and the Company upon the terms and subject to the conditions set forth in this Prospectus and in the accompanying Letter of Transmittal.

A holder of Old Notes may tender the same by (i) properly completing and signing the Letter of Transmittal or a facsimile thereof (all references in this Prospectus to the Letter of Transmittal shall be deemed to include a facsimile thereof) and delivering the same, together with the certificate or certificates representing the Old Notes being tendered and any required signature guarantees and any other documents required by the Letter of Transmittal, to the Exchange Agent at its address set forth below on or prior to the Expiration Date (or complying with the procedure for book-entry transfer described below) or (ii) complying with the guaranteed delivery procedures described below.

The method of delivery of Old Notes, Letters of Transmittal and all other required documents is at the election and risk of the holders. If such delivery is by mail, it is recommended that registered mail properly insured, with return receipt requested, be used. In all cases, sufficient time should be allowed to insure timely delivery. No Old Notes or Letters of Transmittal should be sent to the Company.

If tendered Old Notes are registered in the name of the signer of the Letter of Transmittal and the Exchange Notes to be issued in exchange therefor are to be issued (and any untendered Old Notes are to be reissued) in the name of the registered holder (which term, for the purposes described herein, shall include any participant in The Depository Trust Company (also referred to as a "book-entry transfer facility") whose name appears on a security listing as the owner of Old Notes), the signature of such signer need not be guaranteed. In any other case, the tendered Old Notes must be endorsed or accompanied by written instruments of transfer in form satisfactory to the Company and duly executed by the registered holder, and the signature on the endorsement or instrument of transfer must be guaranteed by a bank, broker, dealer, credit union, savings association, clearing agency or other institution (each an "Eligible Institution") that is a member of a recognized signature guarantee medallion program within the meaning of Rule 17Ad-15 under the Exchange Act. If the Exchange Notes and/or Old Notes not exchanged are to be delivered to an address other than that of the registered holder appearing on the note register for the Old Notes, the signature in the Letter of Transmittal must be guaranteed by an Eligible Institution.

The Exchange Agent will make a request within two business days after the date of receipt of this Prospectus to establish accounts with respect to the Old Notes at the book-entry transfer facility for the purpose of facilitating the Exchange Offer, and subject to the establishment thereof, any financial institution that is a participant in the book-entry transfer facility's system may make book-entry delivery of Old Notes by causing such book-entry transfer facility to transfer such Old Notes into the Exchange Agent's account with respect to the Old Notes in accordance with the book-entry transfer facility's procedures for such transfer. Although delivery of Old Notes may be effected through book-entry transfer into the Exchange Agent's account at the book-entry transfer facility, an appropriate Letter of Transmittal with any required signature guarantee and all other required documents must in each case be transmitted to and received or confirmed by the Exchange Agent at its address set forth below on or prior to the Expiration Date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under such procedures.

If a holder desires to accept the Exchange Offer and time will not permit a Letter of Transmittal or Old Notes to reach the Exchange Agent before the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if the Exchange Agent has received at its address set forth below on or prior to the Expiration Date, a letter, telegram or facsimile transmission (receipt confirmed by telephone and an original delivered by guaranteed overnight courier) from an Eligible Institution setting forth the name and address of the tendering holder, the names in which the Old Notes are registered and, if possible, the certificate numbers of the Old Notes to be tendered, and stating that the tender is being made thereby and guaranteeing that within three business days after the Expiration Date, the Old Notes in proper form for transfer (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at the book-entry transfer facility), will be delivered by such Eligible Institution together with a properly completed and duly executed Letter of Transmittal (and any other required documents). Unless Old Notes being tendered by the above-described method are deposited with the Exchange Agent within the time period set forth above (accompanied or preceded by a properly completed Letter of Transmittal and any other required documents), the Company may, at its option, reject the tender. Copies of the notice of guaranteed delivery ("Notice of Guaranteed Delivery") which may be used by Eligible Institutions for the purposes described in this paragraph are available from the Exchange Agent.

A tender will be deemed to have been received as of the date when (i) the tendering holder's properly completed and duly signed Letter of Transmittal accompanied by the Old Notes (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at the book-entry transfer facility) is received by the Exchange Agent, or (ii) a Notice of Guaranteed Delivery or letter, telegram or facsimile transmission to similar effect (as provided above) from an Eligible Institution is received by the Exchange Agent. Issuances of Exchange Notes in exchange for Old Notes tendered pursuant to a Notice of Guaranteed Delivery or letter, telegram or facsimile transmission to similar effect (as provided above) by an Eligible Institution will be made only against deposit of the Letter of Transmittal (and any other required documents) and the tendered Old Notes.

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of Old Notes tendered for exchange will be determined by the Company in its sole discretion, which determination shall be final and binding. The Company reserves the absolute right to reject any and all tenders of any particular Old Notes not properly tendered or not to accept any particular Old Notes which acceptance might, in the judgment of the Company or its counsel, be unlawful. The Company also reserves the absolute right to waive any defects or irregularities or conditions of the Exchange Offer as to any particular Old Notes either before or after the Expiration Date (including the right to waive the ineligibility of any holder who seeks to tender Old Notes in the Exchange Offer). The interpretation of the terms and conditions of the Exchange Offer (including the Letter of Transmittal and the instructions thereto) by the Company shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes for exchange must be cured within such reasonable period of time as the Company shall determine. Neither the Company, the Exchange Agent nor any other person shall be under any duty to give notification of any defect or irregularity with respect to any tender of Old Notes for exchange, nor shall any of them incur any liability for failure to give such notification.

If the Letter of Transmittal is signed by a person or persons other than the registered holder or holders of Old Notes, such Old Notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders appear on the Old Notes.

If the Letter of Transmittal or any Old Notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority to so act must be submitted.

By tendering, each holder will represent to the Company that, among other things, the Exchange Notes acquired pursuant to the Exchange Offer are being acquired in the ordinary course of business of the person receiving such Exchange Notes, whether or not such person is the holder, that neither the holder nor any such other person has an arrangement or understanding with any person to participate in the distribution of such Exchange Notes and that neither the holder nor any such other person is an "affiliate," as defined under Rule 405 of the Securities Act, of the Company, or if it is an affiliate it will comply with the registration and prospectus requirements of the Securities Act to the extent applicable.

Each broker-dealer that receives Exchange Notes for its own account in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. See "Plan of Distribution."

Terms and Conditions of the Letter of Transmittal

The Letter of Transmittal contains, among other things, the following terms and conditions, which are part of the Exchange Offer.

The party tendering Notes for exchange (the "Transferor") exchanges, assigns and transfers the Old Notes to the Company and irrevocably constitutes and appoints the Exchange Agent as the Transferor's agent and attorney-in-fact to cause the Old Notes to be assigned, transferred and exchanged. The Transferor represents and warrants that it has full power and authority to tender, exchange, assign and transfer the Old Notes and to acquire Exchange Notes issuable upon the exchange of such tendered Notes, and that, when the same are accepted for exchange, the Company will acquire good and unencumbered title to the tendered Old Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The Transferor also warrants that it will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the exchange, assignment and transfer of tendered Old Notes or transfer ownership of such Old Notes on the account books maintained by a book-entry transfer facility. The Transferor further agrees that acceptance of any tendered Old Notes by the Company and the issuance of Exchange Notes in exchange therefor shall constitute performance in full by the Company of certain of its obligations under the Registration Rights Agreement. All authority conferred by the Transferor will survive the death or incapacity of the Transferor and every obligation of the Transferor shall be binding upon the heirs, legal representatives, successors, assigns, executors and administrators of such Transferor.

The Transferor certifies that it is not an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act and that it is acquiring the Exchange Notes offered hereby in the ordinary course of such Transferor's business and that such Transferor has no arrangement with any person to participate in the distribution of such Exchange Notes. Each holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes. Each Transferor which is a broker-dealer receiving Exchange Notes for its own account must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. In connection with the offering of the Old Notes, the Company agreed to file and maintain, subject to certain limitations, a registration statement that would allow Lehman Brothers Inc. to engage in market-making transactions with respect to the Notes. The Company has agreed to bear registration expenses incurred under such agreement.

Withdrawal Rights

Tenders of Old Notes may be withdrawn at any time prior to the Expiration Date.

For a withdrawal to be effective, a written notice of withdrawal sent by telegram, facsimile transmission (receipt confirmed by telephone) or letter must be received by the Exchange Agent at the address set forth herein prior to the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having tendered the Old Notes to be withdrawn (the "Depositor"), (ii) identify the Old Notes to be withdrawn (including the certificate number or numbers and principal amount of such Old Notes), (iii) specify the principal amount of Notes to be withdrawn, (iv) include a statement that such holder is withdrawing his election to

have such Old Notes exchanged, (v) be signed by the holder in the same manner as the original signature on the Letter of Transmittal by which such Old Notes were tendered or as otherwise described above (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the Trustee under the Indenture register the transfer of such Old Notes into the name of the person withdrawing the tender and (vi) specify the name in which any such Old Notes are to be registered, if different from that of the Depositor. The Exchange Agent will return the properly withdrawn Old Notes promptly following receipt of notice of withdrawal. If Old Notes have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn Old Notes or otherwise comply with the book-entry transfer facility procedure. All questions as to the validity of notices of withdrawals, including time of receipt, will be determined by the Company and such determination will be final and binding on all parties.

Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the book-entry transfer facility pursuant to the book-entry transfer procedures described above, such Old Notes will be credited to an account with such book-entry transfer facility specified by the holder) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described under "Procedures for Tendering Old Notes" above at any time on or prior to the Expiration Date.

Acceptance of Old Notes for Exchange; Delivery of Exchange Notes

Upon satisfaction or waiver of all of the conditions to the Exchange Offer, the Company will accept, promptly on the Exchange Date, all Old Notes properly tendered and will issue the Exchange Notes promptly after such acceptance. See "Certain Conditions to the Exchange Offer" below. For purposes of the Exchange Offer, the Company shall be deemed to have accepted properly tendered Old Notes for exchange when, as and if the Company has given oral or written notice thereof to the Exchange Agent.

For each Old Note accepted for exchange, the holder of such Old Note will receive an Exchange Note having a principal amount equal to that of the surrendered Old Note.

In all cases, issuance of Exchange Notes for Old Notes that are accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of certificates for such Old Notes or a timely book-entry confirmation of such Old Notes into the Exchange Agent's account at the book-entry transfer facility, a properly completed and duly executed Letter of Transmittal and all other required documents. If any tendered Old Notes are not accepted for any reason set forth in the terms and conditions of the Exchange Offer or if Old Notes are submitted for a greater principal amount than the holder desires to

exchange, such unaccepted or non-exchanged Old Notes will be returned without expense to the tendering holder thereof (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the book-entry transfer facility pursuant to the book-entry transfer procedures described above, such non-exchanged Old Notes will be credited to an account maintained with such book-entry transfer facility) as promptly as practicable after the expiration of the Exchange Offer.

Certain Conditions to the Exchange Offer

Notwithstanding any other provision of the Exchange Offer, or any extension of the Exchange Offer, the Company shall not be required to accept for exchange, or to issue Exchange Notes in exchange for, any Old Notes and may terminate or amend the Exchange Offer (by oral or written notice to the Exchange Agent or by a timely press release) if at any time before the acceptance of such Old Notes for exchange or the exchange of the Exchange Notes for such Old Notes, any of the following conditions exist:

(a) any action or proceeding is instituted or threatened in any court or by or before any governmental agency or regulatory authority or any injunction, order or decree is issued with respect to the Exchange Offer which, in the sole judgment of the Company, might materially impair the ability of the Company to proceed with the Exchange Offer or have a material adverse effect on the contemplated benefits of the Exchange Offer to the Company; or

(b) any change (or any development involving a prospective change) shall have occurred or be threatened in the business, properties, assets, liabilities, financial condition, operations, results of operations or prospects of the Company that is or may be adverse to the Company, or the Company shall have become aware of facts that have or may have adverse significance with respect to the value of the Old Notes or the Exchange Notes or that may materially impair the contemplated benefits of the Exchange Offer to the Company; or

(c) any law, rule or regulation or applicable interpretations of the staff of the Commission is issued or promulgated which, in the good faith determination of the Company, do not permit the Company to effect the Exchange Offer; or

(d) any governmental approval has not been obtained, which approval the Company, in its sole discretion, deems necessary for the consummation of the Exchange Offer; or

(e) there shall have been proposed, adopted or enacted any law, statute, rule or regulation (or an amendment to any existing law statute, rule or regulation) which, in the sole judgment of the Company, might materially impair the ability of the Company to proceed with the Exchange Offer or have a material adverse effect on the contemplated benefits of the Exchange Offer to the Company; or

(f) there shall occur a change in the current interpretation by the staff of the Commission which permits the Exchange Notes issued pursuant to the Exchange Offer in exchange for Old Notes to be offered for resale, resold and otherwise transferred by holders thereof (other than any such holder that is an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act provided that such Exchange Notes are acquired in the ordinary course of such holders' business and such holders have no arrangement with any person to participate in the distribution of such Exchange Notes; or

(g) there shall have occurred (i) any general suspension of, shortening of hours for, or limitation on prices for, trading in securities on any national securities exchange or in the over-the-counter market (whether or not mandatory), (ii) any limitation by any governmental agency or authority which may adversely affect the ability of the Company to complete the transactions contemplated by the Exchange Offer, (iii) a declaration of a banking moratorium or any suspension of payments in respect of banks by Federal or state authorities in the United States (whether or not mandatory), (iv) a commencement of a war, armed hostilities or other international or national crisis directly or indirectly involving the United States, (v) any limitation (whether or not mandatory) by any governmental authority on, or other event having a reasonable likelihood of affecting, the extension of credit by banks or other leading institutions in the United States, or (vi) in the case of any of the foregoing existing at the time of the commencement of the Exchange Offer, a material acceleration or worsening thereof.

The Company expressly reserves the right to terminate the Exchange Offer and not accept for exchange any Old Notes upon the occurrence of any of the foregoing conditions (which represent all of the material conditions to the acceptance by the Company of properly tendered Old Notes). In addition, the Company may amend the Exchange Offer at any time prior to the Expiration Date if any of the conditions set forth above occur. Moreover, regardless of whether any of such conditions has occurred, the Company may amend the Exchange Offer in any manner which, in its good faith judgment, is advantageous to holders of the Old Notes.

The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company regardless of the circumstances giving rise to any such condition or may be waived by the Company in whole or in part at any time and from time to time in its sole discretion. The failure by the Company at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time. If the Company waives or amends the foregoing conditions, it will, if required by law, extend the Exchange Offer for a minimum of five business days from the date that the Company first gives notice, by public announcement or otherwise, of such waiver or amendment, if the Exchange Offer would otherwise expire within such five business-day period. Any determination by the Company concerning the events described above will be final and binding upon all parties.

In addition, the Company will not accept for exchange any Old Notes tendered, and no Exchange Notes will be issued in exchange for any such Old Notes, if at such time any stop order shall be threatened or in effect with respect to the Registration Statement of which this Prospectus constitutes a part or the qualification of the Indenture under the Trust Indenture Act of 1939, as amended. In any such event the Company is required to use every reasonable effort to obtain the withdrawal of any stop order at the earliest possible time.

The Exchange Offer is not conditioned upon any minimum principal amount of Old Notes being tendered for exchange.

Exchange Agent

The Bank of New York has been appointed as the Exchange Agent for the Exchange Offer. All executed Letters of Transmittal should be directed to the Exchange Agent at one of the addresses set forth below:

By Hand/Overnight Courier:	By Mail:
The Bank of New York	The Bank of New York
101 Barclay Street	101 Barclay Street
Corporate Trust Services Window	Corporate Trust Services Window
New York, New York 10286	New York, New York 10286
Attn: Reorganization Section	Attn: Reorganization Section

By Facsimile: (212) 815-6339
Attn.: Reorganization Section
Telephone: (212) 815-4444

Questions and requests for assistance, requests for additional copies of this Prospectus or of the Letter of Transmittal and requests for Notices of Guaranteed Delivery should be directed to the Exchange Agent at the address and telephone number set forth in the Letter of Transmittal.

DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ON THE LETTER OF TRANSMITTAL, OR TRANSMISSIONS OF INSTRUCTIONS VIA A FACSIMILE OR TELEX NUMBER OTHER THAN THE ONES SET FORTH ON THE LETTER OF TRANSMITTAL, WILL NOT CONSTITUTE A VALID DELIVERY.

Solicitation of Tenders; Fees and Expenses

The Company has not retained any dealer-manager in connection with the Exchange Offer and will not make any payments to brokers, dealers or others soliciting acceptances of the Exchange Offer. The Company, however, will pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection therewith. The Company will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this and other related documents to the beneficial owners of the Old Notes and in handling or forwarding tenders for their customers.

The estimated cash expenses to be incurred in connection with the Exchange Offer will be paid by the Company and are estimated in the aggregate to be approximately $500,000, which includes fees and expenses of the Exchange Agent, Trustee, registration fees, accounting, legal, printing and related fees and expenses.

No person has been authorized to give any information or to make any representations in connection with the Exchange Offer other than those contained in this Prospectus. If given or made, such information or representations should not be relied upon as having been authorized by the Company. Neither the delivery of this Prospectus nor any exchange made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the respective dates as of which information is given herein. The Exchange Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Old Notes in any jurisdiction in which the making of the Exchange Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Company may, at its discretion, take such action as it may deem necessary to make the Exchange Offer in any such jurisdiction and extend the Exchange Offer to holders of Old Notes in such jurisdiction. In any jurisdiction in which the securities laws or blue sky laws of which require the Exchange Offer to be made by a licensed broker or dealer, the Exchange Offer is being made on behalf of the Company by one or more registered brokers or dealers which are licensed under the laws of such jurisdiction.

Transfer Taxes

The Company will pay all transfer taxes, if any, applicable to the exchange of Old Notes pursuant to the Exchange Offer. If, however, certificates representing Exchange Notes or Old Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the Old Notes tendered, or if tendered Old Notes are registered in the name of any person other than the person signing the Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Old Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering holder.

Accounting Treatment

The Exchange Notes will be recorded at the carrying value of the Old Notes as reflected in the Company's accounting records on the date of the exchange. Accordingly, no gain or loss for accounting purposes will be recognized by the Company upon the exchange of Exchange Notes for Old Notes. Expenses incurred in connection with the issuance of the Exchange Notes will be amortized over the term of the Exchange Notes.

Consequences of Failure to Exchange

Holders of Old Notes who do not exchange their Old Notes for Exchange Notes pursuant to the Exchange Offer will continue to be subject to the restrictions on transfer of such Old Notes as set forth in the legend thereon. Old Notes not exchanged pursuant to the Exchange Offer will continue to remain outstanding in accordance with their terms. In general, the Old Notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state

securities laws. The Company does not currently anticipate that it will register the Old Notes under the Securities Act.

Participation in the Exchange Offer is voluntary, and holders of Old Notes should carefully consider whether to participate. Holders of Old Notes are urged to consult their financial and tax advisors in making their own decision on what action to take.

As a result of the making of, and upon acceptance for exchange of all validly tendered Old Notes pursuant to the terms of, this Exchange Offer, the Company will have fulfilled a covenant contained in the Registration Rights Agreement. Holders of Old Notes who do not tender their Old Notes in the Exchange Offer will continue to hold such Old Notes and will be entitled to all the rights and limitations applicable thereto under the Indenture, except for any such rights under the Registration Rights Agreement that by their terms terminate or cease to have further effectiveness as a result of the making of this Exchange Offer. All untendered Old Notes will continue to be subject to the restrictions on transfer set forth in the Indenture. To the extent that Old Notes are tendered and accepted in the Exchange Offer, the trading market for untendered Old Notes could be adversely affected.

The Company may in the future seek to acquire, subject to the terms of the Indenture, untendered Old Notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. The Company has no present plan to acquire any Old Notes which are not tendered in the Exchange Offer.

Resale of Exchange Notes

The Company is making the Exchange Offer in reliance on the position of the staff of the Commission as set forth in certain interpretive letters addressed to third parties in other transactions. However, the Company has not sought its own interpretive letter and there can be no assurance that the Staff would make a similar determination with respect to the Exchange Offer as it has in such interpretive letters to third parties. Based on these interpretations by the staff, the Company believes that the Exchange Notes issued pursuant to the Exchange Offer in exchange for Old Notes may be offered for resale, resold and otherwise transferred by a Holder (other than any Holder who is a broker-dealer or an "affiliate" of the Company within the meaning of Rule 405 of the Securities Act) without further compliance with the registration and prospectus delivery requirements of the Securities Act, provided that such Exchange Notes are acquired in the ordinary course of such Holder's business and that such Holder is not participating, and has no arrangement or understanding with any person to participate, in a distribution (within the meaning of the Securities Act) of such Exchange Notes. However, any holder who is an "affiliate" of the Company or who has an arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, or any broker-dealer who purchased Old Notes from the Company to resell pursuant to Rule 144A or any other available exemption under the Securities Act (i) could not rely on the applicable interpretations of the staff and (ii) must comply with the registration and prospectus delivery requirements of the Securities Act. A broker-dealer who holds Old Notes that were acquired for its own

account as a result of market-making or other trading activities may be deemed to be an "underwriter" within the meaning of the Securities Act and must, therefore, deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of Exchange Notes. Each such broker-dealer that receives Exchange Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge in the Letter of Transmittal that it will deliver a prospectus in connection with any resale of such Exchange Notes. See "Plan of Distribution."

In addition, to comply with the securities laws of certain jurisdictions, if applicable, the Exchange Notes may not be offered or sold unless they have been registered or qualified for sale in such jurisdiction or an exemption from registration or qualification is available and is complied with. The Company has agreed, pursuant to the Registration Rights Agreement and subject to certain specified limitations therein, to register or qualify the Exchange Notes for offer or sale under the securities or blue sky laws of such jurisdictions as any holder of the Exchange Notes reasonably requests. Such registration or qualification may require the imposition of restrictions or conditions (including suitability requirements for offerees or purchasers) in connection with the offer or sale of any Exchange Notes.

DESCRIPTION OF THE EXCHANGE NOTES

General

The Old Notes were issued and the Exchange Notes offered hereby will be issued under an indenture dated as of April 30, 1997 (the "Indenture") between the Company, as issuer, and The Bank of New York, as trustee (the "Trustee"). The terms of the Exchange Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). The Exchange Notes are subject to all such terms, and holders of the Exchange Notes are referred to the Indenture and the Trust Indenture Act for a statement thereof. The following summary of the material provisions of the Indenture describes the material terms of the Indenture but does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture, including the definitions of certain terms contained therein and those terms made part of the Indenture by reference to the Trust Indenture Act. For definitions of certain capitalized terms used in the following summary, see "--Certain Definitions". The Indenture is an exhibit to the Registration Statement of which this Prospectus is a part.

On April 30, 1997, the Company issued $225.0 million aggregate principal amount of Old Notes under the Indenture. The terms of the Exchange Notes are identical in all material respects to the Old Notes, except for certain transfer restrictions and registration and other rights relating to the exchange of the Old Notes for Exchange Notes. The Trustee will authenticate and deliver Exchange Notes for original issue only in exchange for a like principal amount of Old Notes. Any Old Notes that remain outstanding after the consummation of the Exchange Offer, together with the Exchange Notes, will be treated as a single class of securities under the Indenture. Accordingly, all references herein to specified percentages in aggregate principal amount of the outstanding Exchange Notes shall be deemed to mean, at any time after the Exchange Offer is consummated, such percentage in aggregate principal amount of the Old Notes and Exchange Notes then outstanding.

The Exchange Notes will be general unsecured obligations of the Company and will be subordinated in right of payment to all current and future Senior Debt. At December 31, 1996, on a pro forma basis giving effect to the Acquisition and the initial borrowings under the Senior Credit Facilities, the Company would have had Senior Debt of approximately $175.0 million outstanding (excluding letters of credit). The Indenture will permit the incurrence of additional Senior Debt in the future.

The Company will not have any Subsidiaries as of the Issue Date. However, the Indenture will provide that the Company's payment obligations under the Exchange Notes will be jointly and severally guaranteed (the "Subsidiary Guarantees") by all of the Company's future Restricted Subsidiaries, other than Foreign Subsidiaries (collectively, the "Guarantors"). The Subsidiary Guarantee of each Guarantor will be subordinated to the prior payment in full of all Senior Debt of such Guarantor, which would include the guarantees of amounts borrowed under the Senior Credit Facilities.

Principal, Maturity and Interest

The Exchange Notes will be limited in aggregate principal amount to $225.0 million and will mature on May 1, 2007. Interest on the Exchange Notes will accrue at the rate of 10 3/8% per annum and will be payable semi-annually in arrears on May 1 and November 1, commencing on November 1, 1997, to Holders of record on the immediately preceding April 15 and October 15. Interest on the Exchange Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Principal, premium, if any, and interest on the Exchange Notes will be payable at the office or agency of the Company maintained for such purpose within the City and State of New York or, at the option of the Company, payment of interest may be made by check mailed to the Holders of the Exchange Notes at their respective addresses set forth in the register of Holders of Exchange Notes; provided that all payments of principal, premium and interest with respect to Exchange Notes the Holders of which have given wire transfer instructions to the Company will be required to be made by wire transfer of immediately available funds to the accounts specified by the Holders thereof if such Holders shall be registered Holders of at least $250,000 in principal amount of Exchange Notes. Until otherwise designated by the Company, the Company's office or agency in New York will be the office of the Trustee maintained for such purpose. The Exchange Notes will be issued in denominations of $1,000 and integral multiples thereof.

Optional Redemption

The Exchange Notes will not be redeemable at the Company's option prior to May 1, 2002. Thereafter, the Exchange Notes will be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest to the applicable redemption date, if redeemed during the twelve-month period beginning on May 1 of the years indicated below:

Year	Percentage
2002	105.188%
2003	103.458%
2004	101.729%
2005 and thereafter	100.000%

Notwithstanding the foregoing, during the first 36 months after the Issue Date, the Company may on any one or more occasions redeem up to an aggregate of 35% of the Exchange Notes originally issued at a redemption

price of 109.375% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, with the net cash proceeds of one or more Equity Offerings by the Company or the net cash proceeds of one or more Equity Offerings by Holdings that are contributed to the Company as common equity capital; provided that at least 65% of the Exchange Notes originally issued remain outstanding immediately after the occurrence of each such redemption; and provided, further, that any such redemption must occur within 120 days of the date of the closing of such Equity Offering.

Subordination

The payment of principal of, premium, if any, and interest on the Exchange Notes will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Debt, whether outstanding on the Issue Date or thereafter incurred.

Upon any distribution to creditors of the Company in a liquidation or dissolution of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property, an assignment for the benefit of creditors or any marshalling of the Company's assets and liabilities, the holders of Senior Debt will be entitled to receive payment in full in cash of all Obligations due in respect of such Senior Debt (including interest after the commencement of any such proceeding at the rate specified in the applicable Senior Debt, whether or not an allowable claim in any such proceeding) before the Holders of Exchange Notes will be entitled to receive any payment with respect to the Exchange Notes, and until all Obligations with respect to Senior Debt are paid in full, any distribution to which the Holders of Exchange Notes would be entitled shall be made to the holders of Senior Debt (except, in each case, that Holders of Exchange Notes may receive Permitted Junior Securities and payments made from the trust described under "--Legal Defeasance and Covenant Defeasance").

The Company also may not make any payment upon or in respect of the Exchange Notes (except from the trust described under "--Legal Defeasance and Covenant Defeasance") if (i) a default in the payment of the principal of, premium, if any, or interest on Designated Senior Debt occurs and is continuing or (ii) any other default occurs and is continuing with respect to Designated Senior Debt that permits holders of the Designated Senior Debt as to which such default relates to accelerate its maturity (or that would permit such holders to accelerate with the giving of notice or the passage of time or both) and the Trustee receives a notice of such default (a "Payment Blockage Notice") from the Company or the holders of any Designated Senior Debt. Payments on the Exchange Notes may and shall be resumed (A) in the case of a payment default, upon the date on which such default is cured or waived and (B) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or 179 days after the date on which the applicable Payment Blockage Notice is received, unless the maturity of any Designated Senior Debt has been accelerated. No new period of payment blockage may be commenced unless and until (i) 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice and (ii) all scheduled payments of principal, premium, if any, and interest on the Exchange Notes that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent

Payment Blockage Notice unless such default shall have been waived for a period of not less than 90 days.

The Indenture further requires that the Company promptly notify holders of Senior Debt if payment of the Exchange Notes is accelerated because of an Event of Default.

As a result of the subordination provisions described above, in the event of a liquidation or insolvency, Holders of Exchange Notes may recover less ratably than creditors of the Company who are holders of Senior Debt. On a pro forma basis, after giving effect to the Acquisition and the initial borrowing under the Senior Credit Facilities, the principal amount of Senior Debt outstanding (excluding letters of credit) at December 31, 1996 would have been approximately $175.0 million.

Selection and Notice

If less than all of the Exchange Notes are to be redeemed at any time, selection of Exchange Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Exchange Notes are listed, or, if the Exchange Notes are not so listed, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate; provided that no Exchange Notes of $1,000 or less shall be redeemed in part. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Exchange Notes to be redeemed at its registered address. Notices of redemption may not be conditional. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. Exchange Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Exchange Notes or portions of them called for redemption.

Mandatory Redemption

Except as set forth below under "--Repurchase at the Option of Holders", the Company is not required to make mandatory redemption or sinking fund payments with respect to the Exchange Notes.

Repurchase at the Option of Holders

Change of Control

Upon the occurrence of a Change of Control, each Holder of Exchange Notes will have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Exchange Notes pursuant to the offer described below (the "Change of Control Offer") at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest to the date of purchase (the "Change of Control Payment"). Within ten days following any Change of Control, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Exchange Notes on the date specified in

such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"), pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Exchange Notes as a result of a Change of Control.

On the Change of Control Payment Date, the Company will, to the extent lawful, (i) accept for payment all Exchange Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Exchange Notes or portions thereof so tendered and (iii) deliver or cause to be delivered to the Trustee the Exchange Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Exchange Notes or portions thereof being purchased by the Company. The Paying Agent will promptly mail to each Holder of Exchange Notes so tendered the Change of Control Payment for such Exchange Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Exchange Notes surrendered, if any; provided that each such new Note will be in a principal amount of $1,000 or an integral multiple thereof.

The Indenture will provide that, prior to mailing a Change of Control Offer, but in any event within 90 days following a Change of Control, the Company will either repay all outstanding Senior Debt or offer to repay all Senior Debt and terminate all commitments thereunder of each lender who has accepted such offer or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of Exchange Notes required by this covenant. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Exchange Notes to require that the Company repurchase or redeem the Exchange Notes in the event of a takeover, recapitalization or similar transaction.

The Senior Credit Facilities will prohibit the Company from purchasing any Exchange Notes, and also provides that certain change of control events with respect to the Company would constitute a default thereunder. Any future credit agreements or other agreements relating to Senior Debt to which the Company becomes a party may contain similar restrictions and provisions. In the event a Change of Control occurs at a time when the Company is prohibited from purchasing Exchange Notes, the Company could seek the consent of its lenders to the purchase of Exchange Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain such a consent or repay such borrowings, the Company will remain prohibited from purchasing Exchange Notes. In such case, the Company's failure to purchase tendered Exchange Notes would constitute an Event of Default under the Indenture which

would, in turn, constitute a default under the Senior Credit Facilities. In such circumstances, the subordination provisions in the Indenture would likely restrict payments to the Holders of Exchange Notes. See "Risk Factors--Change of Control". Finally, the Company's ability to pay cash to the holders of Notes upon a purchase may be limited by the Company's then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required purchases. Even if sufficient funds were otherwise available, the terms of the Senior Credit Facilities will prohibit, subject to certain exceptions, the Company's prepayment of Notes prior to their scheduled maturity. Consequently, if the Company is not able to prepay indebtedness outstanding under the Senior Credit Facilities and any other Senior Indebtedness containing similar restrictions or obtain requisite consents, the Company will be unable to fulfill its repurchase obligations if holders of Notes exercise their purchase rights following a Change of Control, thereby resulting in a default under the Indenture. Furthermore, the Change of Control provisions may in certain circumstances make more difficult or discourage a takeover of the Company.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Exchange Notes validly tendered and not withdrawn under such Change of Control Offer.

"Change of Control" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) other than the Principals or their Related Parties (as defined below), (ii) the adoption of a plan relating to the liquidation or dissolution of the Company, (iii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above), other than the Principals and their Related Parties, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of the Company (measured by voting power rather than number of shares) or (iv) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the Company who (i) was a member of such Board of Directors on the Issue Date or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"Principals" means any Lehman Investor, Lockheed Martin Corporation, Frank C. Lanza and Robert V. LaPenta.

"Related Party" with respect to any Principal means (i) any controlling stockholder, 50% (or more) owned Subsidiary, or spouse or immediate family member (in the case of an individual) of such Principal or (ii) any trust, corporation, partnership or other entity, the

beneficiaries, stockholders, partners, owners or Persons beneficially holding a more than 50% controlling interest of which consist of such Principal and/or such other Persons referred to in the immediately preceding clause (i).

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

With respect to the disposition of assets, the phrase "all or substantially all" as used in the Indenture varies according to the facts and circumstances of the subject transaction and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Company.

Asset Sales

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless (i) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the fair market value (evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of and (ii) at least 80% of the consideration therefor received by the Company or such Restricted Subsidiary, as the case may be, consists of cash, Cash Equivalents and/or Marketable Securities; provided, however, that (A) the amount of any Senior Debt of the Company or such Restricted Subsidiary that is assumed by the transferee in any such transaction and (B) any consideration received by the Company or such Restricted Subsidiary, as the case may be, that consists of (1) all or substantially all of the assets of one or more Similar Businesses, (2) other long-term assets that are used or useful in one or more Similar Businesses and (3) Permitted Securities shall be deemed to be cash for purposes of this provision.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company may apply such Net Proceeds, at its option, (i) to repay Indebtedness under a Credit Facility, or (ii) to the acquisition of Permitted Securities, all or substantially all of the assets of one or more Similar Businesses, or the making of a capital expenditure or the acquisition of other long-term assets in a Similar Business. Pending the final application of any such Net Proceeds, the Company may temporarily reduce Indebtedness under a Credit Facility or otherwise invest such Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from Asset Sales that are not applied or invested as provided in the first sentence of this paragraph will be deemed to constitute "Excess Proceeds". When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company will be required to make an offer to all Holders of Exchange Notes (an "Asset Sale Offer") to purchase the maximum principal amount of Exchange Notes that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase, in accordance with the

procedures set forth in the Indenture. To the extent that the aggregate amount of Exchange Notes tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Exchange Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Exchange Notes to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

The Senior Credit Facilities will substantially limit the Company's ability to purchase subordinated Indebtedness, including the Exchange Notes. Any future credit agreements relating to Senior Debt may contain similar restrictions. See "Description of Senior Credit Facilities".

Certain Covenants

Restricted Payments

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly: (i) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than (A) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or (B) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Restricted Subsidiary, the Company or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities); (ii) purchase, redeem or otherwise acquire or retire for value (including without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company; (iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated to the Exchange Notes except a payment of interest or principal at Stated Maturity; or (iv) make any Restricted Investment (all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under caption "Incurrence of Indebtedness and Issuance of Preferred Stock"; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (ii) through (vii) of the next succeeding paragraph), is less than the sum of (i) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus (ii) 100% of the aggregate net cash proceeds received by the Company from a contribution to its common equity capital or the issue or sale since the Issue Date of Equity Interests of the Company (other than Disqualified Stock) or of Disqualified Stock or debt securities of the Company that have been converted into such Equity Interests (other than Equity Interests (or Disqualified Stock or convertible debt securities) sold to a Subsidiary of the Company and other than Disqualified Stock or convertible debt securities that have been converted into Disqualified Stock), plus (iii) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the amount of cash received in connection therewith (or from the sale of Marketable Securities received in connection therewith), plus (iv) to the extent not already included in such Consolidated Net Income of the Company for such period and without duplication, (A) 100% of the aggregate amount of cash received as a dividend from an Unrestricted Subsidiary, (B) 100% of the cash received upon the sale of Marketable Securities received as a dividend from an Unrestricted Subsidiary, and (C) 100% of the net assets of any Unrestricted Subsidiary on the date that it becomes a Restricted Subsidiary.

The foregoing provisions will not prohibit:

(i) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture;

(ii) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness or Equity Interests of the Company in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other Equity Interests of the Company (other than any Disqualified Stock); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (c)(ii) of the preceding paragraph;

(iii) the defeasance, redemption, repurchase or other acquisition of subordinated Indebtedness (other than intercompany Indebtedness) in exchange for, or with the net cash proceeds from an incurrence of, Permitted Refinancing Indebtedness;

(iv) the repurchase, retirement or other acquisition or retirement for value of common Equity Interests of the Company or Holdings held by any future, present or former employee, director or

consultant of the Company or any Subsidiary or Holdings issued pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement; provided, however, that the aggregate amount of Restricted Payments made under this clause (iv) does not exceed $1.5 million in any calendar year and provided further that cancellation of Indebtedness owing to the Company from members of management of the Company or any of its Restricted Subsidiaries in connection with a repurchase of Equity Interests of the Company will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(v) repurchases of Equity Interests deemed to occur upon exercise of stock options upon surrender of Equity Interests to pay the exercise price of such options;

(vi) payments to Holdings (A) in amounts equal to the amounts required for Holdings to pay franchise taxes and other fees required to maintain its legal existence and provide for other operating costs of up to $500,000 per fiscal year and (B) in amounts equal to amounts required for Holdings to pay federal, state and local income taxes to the extent such income taxes are actually due and owing; provided that the aggregate amount paid under this clause (B) does not exceed the amount that the Company would be required to pay in respect of the income of the Company and its Subsidiaries if the Company were a stand alone entity that was not owned by Holdings; and

(vii) other Restricted Payments in an aggregate amount since the Issue Date not to exceed $20.0 million.

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default. For purposes of making such determination, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid in cash) in the Subsidiary so designated will be deemed to be Restricted Payments at the time of such designation and will reduce the amount available for Restricted Payments under the first paragraph of this covenant. All such outstanding Investments will be deemed to constitute Investments in an amount equal to the fair market value of such Investments at the time of such designation. Such designation will only be permitted if such Restricted Payment would be permitted at such time and if such Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any non-cash Restricted Payment shall be determined by the Board of Directors whose resolution with respect thereto shall be delivered to the Trustee. Not later than the date of making any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the covenant "Restricted Payments" were computed.

Incurrence of Indebtedness and Issuance of Preferred Stock

The Indenture will provide that the Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt) and that the Company will not issue any Disqualified Stock and will not permit any of its Subsidiaries to issue any shares of preferred stock; provided, however, that the Company and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt) or issue shares of preferred stock if the Fixed Charge Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such preferred stock is issued would have been at least 2.0 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

The forgoing limitation will not apply to the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(i) the incurrence by the Company of term Indebtedness under Credit Facilities (and the guarantee thereof by the Guarantors); provided that the aggregate principal amount of all term Indebtedness outstanding under all Credit Facilities after giving effect to such incurrence, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (i), does not exceed an amount equal to $175.0 million less the aggregate amount of all repayments, optional or mandatory, of the principal of any Indebtedness under a Credit Facility (or any such Permitted Refinancing Indebtedness) that have been made since the Issue Date;

(ii) the incurrence by the Company of revolving credit Indebtedness and letters of credit (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) under Credit Facilities (and the guarantee thereof by the Guarantors); provided that the aggregate principal amount of all revolving credit Indebtedness outstanding under all Credit Facilities after giving effect to such incurrence, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (ii), does not exceed an amount equal to $100.0 million less the aggregate amount of all Net Proceeds of Asset Sales applied to repay any such Indebtedness (including any such Permitted Refinancing Indebtedness) pursuant to the covenant described above under the caption "--Asset Sales";

(iii) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;

(iv) the incurrence by the Company and the Guarantors of the Exchange Notes and the Subsidiary Guarantees;

(v) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (v), not to exceed $30.0 million at any time outstanding;

(vi) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in connection with the acquisition of assets or a new Restricted Subsidiary; provided that such Indebtedness was incurred by the prior owner of such assets or such Restricted Subsidiary prior to such acquisition by the Company or one of its Restricted Subsidiaries and was not incurred in connection with, or in contemplation of, such acquisition by the Company or one of its Restricted Subsidiaries; and provided further that the principal amount (or accreted value, as applicable) of such Indebtedness, together with any other outstanding Indebtedness incurred pursuant to this clause (vi), does not exceed $10.0 million;

(vii) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace, Indebtedness that was permitted by the Indenture to be incurred;

(viii) Indebtedness incurred by the Company or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business in respect of workers' compensation claims or self-insurance, or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims; provided, however, that upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or incurrence;

(ix) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; provided, however, that (A) such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (A)) and (B) the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds including noncash proceeds (the fair market value of such noncash proceeds being measured at the time received and

without giving effect to any subsequent changes in value) actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(x) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; provided, however, that (A) if the Company is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Exchange Notes and (B)(1) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or one of its Restricted Subsidiaries and (2) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or one of its Restricted Subsidiaries shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be;

(xi) the incurrence by the Company or any of the Guarantors of Hedging Obligations that are incurred for the purpose of (A) fixing, hedging or capping interest rate risk with respect to any floating rate Indebtedness that is permitted by the terms of the Indenture to be outstanding or (B) protecting the Company and its Restricted Subsidiaries against changes in currency exchange rates;

(xii) the guarantee by the Company or any of the Guarantors of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this covenant;

(xiii) the incurrence by the Company's Unrestricted Subsidiaries of Non-Recourse Debt, provided, however, that if any such Indebtedness ceases to be Non-Recourse Debt of an Unrestricted Subsidiary, such event shall be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary of the Company that was not permitted by this clause (xiii), and the issuance of preferred stock by Unrestricted Subsidiaries;

(xiv) obligations in respect of performance and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiaries in the ordinary course of business; and

(xv) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (xv), not to exceed $50.0 million.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (i) through (xv) above or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company shall, in its sole discretion, classify such item of Indebtedness in any manner that complies with this covenant. Accrual of interest, the accretion of accreted value and the payment of

interest in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this covenant.

Liens

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien securing Indebtedness on any asset now owned or hereafter acquired, or any income or profits therefrom or assign or convey any right to receive income therefrom, except Permitted Liens.

Antilayering Provision

The Indenture will provide that (i) the Company will not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinate or junior in right of payment to any Senior Debt and senior in any respect in right of payment to the Exchange Notes, and (ii) no Guarantor will incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinate or junior in right of payment to any Senior Debt of a Guarantor and senior in any respect in right of payment to any of the Subsidiary Guarantees.

Dividend and Other Payment Restrictions Affecting Subsidiaries

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to (i)(A) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries (1) on its Capital Stock or (2) with respect to any other interest or participation in, or measured by, its profits, or (B) pay any indebtedness owed to the Company or any of its Restricted Subsidiaries, (ii) make loans or advances to the Company or any of its Restricted Subsidiaries or (iii) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (A) the provisions of security agreements that restrict the transfer of assets that are subject to a Lien created by such security agreements, (B) the provisions of agreements governing Indebtedness incurred pursuant to clause (v) of the second paragraph of the covenant described above under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock, (C) the Indenture and the Exchange Notes, (D) applicable law, (E) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred, (F) by reason of customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices, (G) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (iii) above on the property so acquired, (H) Permitted Refinancing Indebtedness, provided that the

restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive than those contained in the agreements governing the Indebtedness being refinanced, (I) contracts for the sale of assets, including, without limitation, customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary, (J) agreements relating to secured Indebtedness otherwise permitted to be incurred pursuant to the covenants described under "Limitations on Incurrence of Indebtedness and Issuance of Preferred Stock" and "Liens" that limit the right of the debtor to dispose of the assets securing such Indebtedness, (K) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business, or (L) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business.

Merger, Consolidation or Sale of Assets

The Indenture will provide that the Company may not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another corporation, Person or entity unless (i) the Company is the surviving corporation or the entity or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the entity or Person formed by or surviving any such consolidation or merger (if other than the Company) or the entity or Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of the Company under the Exchange Notes and the Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; (iii) immediately after such transaction no Default or Event of Default exists; and (iv) except in the case of a merger of the Company with or into a Wholly Owned Restricted Subsidiary of the Company, the Company or the entity or Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made, after giving pro forma effect to such transaction as if such transaction had occurred at the beginning of the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such transaction either (A) would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock" or (B) would have a pro forma Fixed Charge Coverage Ratio that is greater than the actual Fixed Charge Coverage Ratio for the same four-quarter period without giving pro forma effect to such transaction.

Notwithstanding the foregoing clause (iv), (i) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Company and (ii) the Company may merge with an Affiliate that has no significant assets or liabilities and was incorporated solely for the purpose of reincorporating the Company in

another State of the United States so long as the amount of Indebtedness of the Company and its Restricted Subsidiaries is not increased thereby.

Transactions with Affiliates

The Indenture will provide that the Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "Affiliate Transaction"), unless (i) such Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person and (ii) the Company delivers to the Trustee (A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $3.0 million, a resolution of the Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors and (B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, an opinion as to the fairness to the Holders of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

The foregoing provisions will not prohibit: (i) any employment agreement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business; (ii) any transaction with a Lehman Investor; (iii) any transaction between or among the Company and/or its Restricted Subsidiaries; (iv) transactions between the Company or any of its Restricted Subsidiaries, on the one hand, and Lockheed Martin or any of its Subsidiaries, on the other hand, on terms that are not materially less favorable to the Company or the applicable Restricted Subsidiary of the Company than those that could have been obtained from an unaffiliated third party; provided that (A) in the case of any such transaction or series of related transactions pursuant to this clause (iv) involving aggregate consideration in excess of $1.0 million but less than $25.0 million, such transaction or series of transactions (or the agreement pursuant to which the transactions were executed) was approved by the Company's Chief Executive Officer or Chief Financial Officer and (B) in the case of any such transaction or series of related transactions pursuant to this clause (iv) involving aggregate consideration equal to or in excess of $25.0 million, such transaction or series of related transactions (or the agreement pursuant to which the transactions were executed) was approved by a majority of the disinterested members of the Board of Directors; (v) any transaction pursuant to and in accordance with the provisions of the Transaction Documents as the same are in effect on the Issue Date; and (vi) any Restricted Payment that is permitted by the provisions of the Indenture described above under the caption "--Restricted Payments".

Payments for Consent

The Indenture will provide that neither the Company nor any of its Subsidiaries will, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder of any Exchange Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Exchange Notes unless such consideration is offered to be paid or is paid to all Holders of the Exchange Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Reports

The Indenture will provide that, whether or not required by the rules and regulations of the Securities and Exchange Commission (the "Commission"), so long as any Exchange Notes are outstanding, the Company will furnish to the Holders of Exchange Notes (i) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operations of the Company and its consolidated Subsidiaries (showing in reasonable detail, either on the face of the financial statements or in the footnotes thereto and in Management's Discussion and Analysis of Financial Condition and Results of Operations, the financial condition and results of operations of the Company and its Restricted Subsidiaries separately from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company) and, with respect to the annual information only, a report thereon by the Company's certified independent accountants and (ii) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports, in each case within the time periods specified in the Commission's rules and regulations. In addition, whether or not required by the rules and regulations of the Commission, following the consummation of the Exchange Offer contemplated by the Registration Rights Agreement, the Company will file a copy of all such information and reports with the Commission for public availability within the time periods set forth in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, the Company and the Subsidiary Guarantors have agreed that, for so long as any Old Notes remain outstanding and are required to bear the transfer restriction legend, they will furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Future Subsidiary Guarantees

The Company will not have any Subsidiaries as of the Issue Date. However, the Company's payment obligations under the Exchange Notes will be jointly and severally guaranteed by all of the Company's future Restricted Subsidiaries, other than Foreign Subsidiaries. The Indenture will provide that if the Company or any of its Subsidiaries shall acquire or create a Subsidiary (other than a Foreign Subsidiary or an Unrestricted Subsidiary) after the Issue Date, then such Subsidiary shall execute a

Subsidiary Guarantee and deliver an opinion of counsel, in accordance with the terms of the Indenture. The Subsidiary Guarantee of each Guarantor will be subordinated to the prior payment in full of all Senior Debt of such Guarantor, which would include the guarantees of amounts borrowed under the Senior Credit Facilities. The obligations of each Guarantor under its Subsidiary Guarantee will be limited so as not to constitute a fraudulent conveyance under applicable law.

The Indenture will provide that no Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person (except the Company or another Guarantor) unless (i) subject to the provisions of the following paragraph, the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of such Guarantor pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee, under the Exchange Notes and the Indenture; (ii) immediately after giving effect to such transaction, no Default or Event of Default exists; and (iii) the Company (A) would be permitted by virtue of the Company's pro forma Fixed Charge Coverage Ratio, immediately after giving effect to such transaction, to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the covenant described above under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock" or (B) would have a pro forma Fixed Charge Coverage Ratio that is greater than the actual Fixed Charge Coverage Ratio for the same four-quarter period without giving pro forma effect to such transaction.

Notwithstanding the foregoing paragraph, (i) any Guarantor may consolidate with, merge into or transfer all or part of its properties and assets to the Company and (ii) any Guarantor may merge with an Affiliate that has no significant assets or liabilities and was incorporated solely for the purpose of reincorporating such Guarantor in another State of the United States so long as the amount of Indebtedness of the Company and its Restricted Subsidiaries is not increased thereby.

The Indenture will provide that in the event of a sale or other disposition of all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the capital stock of any Guarantor, then such Guarantor (in the event of a sale or other disposition, by way of such a merger, consolidation or otherwise, of all of the capital stock of such Guarantor) or the corporation acquiring the property (in the event of a sale or other disposition of all of the assets of such Guarantor) will be released and relieved of any obligations under its Subsidiary Guarantee; provided that the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture. See "Redemption or Repurchase at Option of Holders--Asset Sales".

Events of Default and Remedies

The Indenture will provide that each of the following constitutes an Event of Default: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the Exchange Notes (whether or not prohibited by the subordination provisions of the Indenture); (ii) default in payment when due of the principal of or premium, if any, on the Exchange Notes (whether or not prohibited by the

subordination provisions of the Indenture); (iii) failure by the Company to comply with the provisions described under the captions "--Change of Control", "--Asset Sales" or "--Merger, Consolidation or Sale of Assets"; (iv) failure by the Company for 60 days after notice to comply with any of its other agreements in the Indenture or the Exchange Notes; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, aggregates $10.0 million or more; (vi) failure by the Company or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Restricted Subsidiaries; and (viii) except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Exchange Notes may declare all the Exchange Notes to be due and payable immediately; provided, however, that so long as any Designated Senior Debt is outstanding, such declaration shall not become effective until the earlier of (i) the day which is five Business Days after receipt by the Representatives of Designated Senior Debt of such notice of acceleration or (ii) the date of acceleration of any Designated Senior Debt. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or any Restricted Subsidiary, all outstanding Exchange Notes will become due and payable without further action or notice. Holders of the Exchange Notes may not enforce the Indenture or the Exchange Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Exchange Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Exchange Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Exchange Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Exchange Notes. If an Event of Default occurs prior to May 1, 2002 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Exchange Notes prior to May 1, 2002, then the premium specified in the Indenture shall also become immediately due and payable

to the extent permitted by law upon the acceleration of the Exchange Notes.

The Holders of a majority in aggregate principal amount of the Exchange Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Exchange Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Exchange Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company is required upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Company, as such, shall have any liability for any obligations of the Company under the Exchange Notes and the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Exchange Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Exchange Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding Exchange Notes ("Legal Defeasance") except for (i) the rights of Holders of outstanding Exchange Notes to receive payments in respect of the principal of, premium, if any, and interest and Liquidated Damages on such Exchange Notes when such payments are due from the trust referred to below, (ii) the Company's obligations with respect to the Exchange Notes concerning issuing temporary Exchange Notes, registration of Exchange Notes, mutilated, destroyed, lost or stolen Exchange Notes and the maintenance of an office or agency for payment and money for security payments held in trust, (iii) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's obligations in connection therewith and (iv) the Legal Defeasance provisions of the Indenture. In addition, the Company may, at its option and at any time, elect to have the obligations of the Company released with respect to certain covenants that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Exchange Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under "Events of Default" will no longer constitute an Event of Default with respect to the Exchange Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance, (i) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Exchange Notes, cash in U.S. dollars,

non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium, if any, and interest and Liquidated Damages on the outstanding Exchange Notes on the stated maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the Exchange Notes are being defeased to maturity or to a particular redemption date; (ii) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the Issue Date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion of counsel shall confirm that, the Holders of the outstanding Exchange Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; (iii) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the outstanding Exchange Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; (iv) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit; (v) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound; (vi) the Company must have delivered to the Trustee an opinion of counsel to the effect that after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; (vii) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of Exchange Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and (viii) the Company must deliver to the Trustee an Officers' Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Transfer and Exchange

A Holder may transfer or exchange Exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note selected for redemption. Also, the Company is not

required to transfer or exchange any Note for a period of 15 days before a selection of Exchange Notes to be redeemed.

The registered Holder of a Note will be treated as the owner of it for all purposes.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture or the Exchange Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Exchange Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Exchange Notes), and any existing default or compliance with any provision of the Indenture or the Exchange Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Exchange Notes (including consents obtained in connection with a tender offer or exchange offer for Exchange Notes).

Without the consent of each Holder affected, an amendment or waiver may not (with respect to any Exchange Notes held by a non-consenting Holder): (i) reduce the principal amount of Exchange Notes whose Holders must consent to an amendment, supplement or waiver, (ii) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Exchange Notes (other than provisions relating to the covenants described above under the caption "--Repurchase at the Option of Holders"), (iii) reduce the rate of or change the time for payment of interest on any Note, (iv) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Exchange Notes (except a rescission of acceleration of the Exchange Notes by the Holders of at least a majority in aggregate principal amount of the Exchange Notes and a waiver of the payment default that resulted from such acceleration), (v) make any Note payable in money other than that stated in the Exchange Notes, (vi) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Exchange Notes to receive payments of principal of or premium, if any, or interest on the Exchange Notes, (vii) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption "--Repurchase at the Option of Holders") or (viii) make any change in the foregoing amendment and waiver provisions. In addition, any amendment to the provisions of Article 10 of the Indenture (which relates to subordination) will require the consent of the Holders of at least 75% in aggregate principal amount of the Exchange Notes then outstanding if such amendment would adversely affect the rights of Holders of Exchange Notes.

Notwithstanding the foregoing, without the consent of any Holder of Exchange Notes, the Company and the Trustee may amend or supplement the Indenture or the Exchange Notes to cure any ambiguity, defect or inconsistency, to provide for uncertificated Exchange Notes in addition to or in place of certificated Exchange Notes, to provide for the assumption of the Company's obligations to Holders of Exchange Notes in the case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of Exchange Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, or to comply with requirements of the Commission in order to

effect or maintain the qualification of the Indenture under the Trust Indenture Act.

Concerning the Trustee

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.

The Holders of a majority in principal amount of the then outstanding Exchange Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur (which shall not be cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Exchange Notes, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Book-Entry, Delivery and Form

The certificates representing the Exchange Notes will be issued in fully registered form and will be deposited with the Trustee as custodian for The Depository Trust Company, New York, New York (The "Depository"), and registered in the name of a nominee of the Depository.

Depository Procedures

The Depository has advised the Company that the Depository is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of Participants. The Participants include securities brokers and dealers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to the Depository's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of the Depository only through the Participants or Indirect Participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of the Depository are recorded on the records of the Participants and Indirect Participants.

The Depository has also advised the Company that pursuant to procedures established by it, (i) upon deposit of the Global Exchange Notes, the Depository will credit the accounts of Participants designated by the Initial Purchasers with portions of the principal amount of Global

Exchange Notes and (ii) ownership of such interests in the Global Exchange Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by the Depository (with respect to Participants) or by Participants and the Indirect Participants (with respect to other owners of beneficial interests in the Global Exchange Notes).

Investors in the Global Note may hold their interests therein directly through the Depository, if they are Participants in such system, or indirectly through organizations (including Euroclear and CEDEL) that are Participants in such system. Investors in the Regulation S Global Note may hold their interests therein through Euroclear or CEDEL, if they are participants in such systems, or indirectly through organizations that are participants in such systems or in the Depository system. Euroclear and CEDEL will hold interests in the Regulation S Global Note on behalf of their Participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear, and Citibank, N.A. as operator of CEDEL. The depositories, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositories' names on the books of the Depository. All interests in a Global Note, including those held through Euroclear or CEDEL, may be subject to the procedures and requirements of the Depository. Those interests held by Euroclear or CEDEL may be also be subject to the procedures and requirements of such system.

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interest in a Global Note to such persons may be limited to that extent. Because the Depository can act only on behalf of Participants, which in turn act on behalf of Indirect Participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the Depository system, or otherwise take actions in respect of such interests, may be affected by the lack of physical certificate evidencing such interests. For certain other restrictions on the transferability of the Exchange Notes see, "--Exchange of Book-Entry Exchange Notes for Certificated Exchange Notes".

Except as described below, owners of interests in the Global Exchange Notes will not have Exchange Notes registered in their names, will not receive physical delivery of Exchange Notes in certificated form and will not be considered the registered owners or Holders thereof under the Indenture for any purpose.

Payments in respect of the principal and premium and interest on a Global Note registered in the name of the Depository or its nominee will be payable by the Trustee to the Depository or its nominee in its capacity as the registered Holder under the Indenture. Under the terms of the Indenture, the Company and the Trustee will treat the persons in whose names the Exchange Notes, including the Global Exchange Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Company, the Trustee nor any agent of the Company or the Trustee has or will have any responsibility or liability for (i) any aspect of the Depository's records or any Participant's or Indirect Participant's records relating to or payments made on account of

beneficial ownership interests in the Global Exchange Notes, or for maintaining, supervising or reviewing any of the Depository's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Exchange Notes or (ii) any other matter relating to the actions and practices of the Depository or any of its Participants or Indirect Participants.

The Depository has advised the Company that its current practices, upon receipt of any payment in respect of securities such as the Exchange Notes (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date, in amounts proportionate to their respective holdings in principal amount of beneficial interests in the relevant security such as the Global Exchange Notes as shown on the records of the Depository. Payments by Participants and the Indirect Participants to the beneficial owners of Exchange Notes will be governed by standing instructions and customary practices and will not be the responsibility of the Depository, the Trustee or the Company. Neither the Company nor the Trustee will be liable for any delay by the Depository or its Participants in identifying the beneficial owners of the Exchange Notes, and the Company and the Trustee may conclusively rely on and will be protected in relying on instructions from the Depository or its nominee as the registered owner of the Exchange Notes for all purposes.

Except for trades involving only Euroclear and CEDEL participants, interests in the Global Exchange Notes will trade in the Depository's Same-Day Funds Settlement System and secondary market trading activity in such interests will, therefore, settle in immediately available funds, subject in all cases to the rules and procedures of the Depository and its participants.

Transfers between Participants in the Depository will be effected in accordance with the Depository's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear and CEDEL will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Exchange Notes described herein, crossmarket transfers between Participants in the Depository, on the one hand, and Euroclear or CEDEL participants, on the other hand, will be effected through the Depository in accordance with the Depository's rules on behalf of Euroclear or CEDEL, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or CEDEL, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or CEDEL, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in the Depository, and making or receiving payment in accordance with normal procedures for same-day fund settlement applicable the Depository. Euroclear participants and CEDEL participants may not deliver instructions directly to the Depositaries for Euroclear or CEDEL.

Because of time zone differences, the securities accounts of a Euroclear or CEDEL participant purchasing an interest in a Global Note

from a Participant in the Depository will be credited, and any such crediting will be reported to the relevant Euroclear or CEDEL participant, during the securities settlement processing day (which must be a business day for Euroclear or CEDEL) immediately following the settlement date of the Depository. Cash received in Euroclear or CEDEL as a result of sales of interests in a Global Note by or through a Euroclear or CEDEL participant to a Participant in the Depository will be received with value on the settlement date of the Depository but will be available in the relevant Euroclear or CEDEL cash account only as of the business day for Euroclear or CEDEL following the Depository's settlement date.

The Depository has advised the Company that it will take any action permitted to be taken by a Holder of Exchange Notes only at the direction of one or more Participants to whose account the Depository interests in the Global Exchange Notes are credited and only in respect of such portion of the aggregate principal amount of the Exchange Notes as to which such Participant or Participants has or have given direction. However, if there is an Event of Default under the Exchange Notes, the Depository reserves the right to exchange Global Exchange Notes for legended Exchange Notes in certificated form, and to distribute such Exchange Notes to its Participants.

The information in this section concerning the Depository, Euroclear and CEDEL and their book-entry systems has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof.

Although the Depository, Euroclear and CEDEL have agreed to the foregoing procedures to facilitate transfers of interests in the Global Note among participants in the Depository, Euroclear and CEDEL, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, the Initial Purchasers or the Trustee will have any responsibility for the performance by the Depository, Euroclear or CEDEL or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Book-Entry Exchange Notes for Certificated Exchange Notes

A Global Note is exchangeable for definitive Exchange Notes in registered certificated form if (i) the Depository (A) notifies the Company that it is unwilling or unable to continue as depository for the Global Note and the Company thereupon fails to appoint a successor depository or (B) has ceased to be a clearing agency registered under the Exchange Act or (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause issuance of the Exchange Notes in certificated form. In addition, beneficial interests in a Global Note may be exchanged for certificated Exchange Notes upon request but only upon at least 20 days prior written notice given to the Trustee by or on behalf of the Depository in accordance with customary procedures. In all cases, certificated Exchange Notes delivered in exchange for any Global Note or beneficial interest therein will be registered in names, and issued in any approved denominations, requested by or on behalf of the Depository (in accordance with its customary procedures).

Certificated Exchange Notes

Subject to certain conditions, any person having a beneficial interest in the Global Note may, upon request to the Trustee, exchange such beneficial interest for Exchange Notes in the form of certificated Exchange Notes. Upon any such issuance, the Trustee is required to register such certificated Exchange Notes in the name of, and cause the same to be delivered to, such person or persons (or the nominee of any thereof). In addition, if (i) the Company notifies the Trustee in writing that the Depository is no longer willing or able to act as a depository and the Company is unable to locate a qualified successor within 90 days or (ii) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of Exchange Notes in the form of certificated Exchange Notes under the Indenture, then, upon surrender by the Global Note Holder of its Global Note, Exchange Notes in such form will be issued to each person that the Global Note Holder and the Depository identify as being the beneficial owner of the related Exchange Notes.

Neither the Company nor the Trustee will be liable for any delay by the Global Note Holder or the Depository in identifying the beneficial owners of Exchange Notes and the Company and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the Global Note Holder or the Depository for all purposes.

Same Day Settlement and Payment

The Indenture will require that payments in respect of the Exchange Notes represented by the Global Note (including principal, premium, if any, interest) be made by wire transfer of immediately available funds to the accounts specified by the Global Note Holder. With respect to certificated Exchange Notes, the Company will make all payments of principal, premium, if any, and interest by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each such Holder's registered address. The Company expects that secondary trading in the certificated Exchange Notes will also be settled in immediately available funds.

Registration Rights; Liquidated Damages

The Company and the Initial Purchasers entered into the Registration Rights Agreement on the Issue Date. Pursuant to the Registration Rights Agreement, the Company agreed to file with the Commission the Exchange Offer Registration Statement on the appropriate form under the Securities Act with respect to the Exchange Notes. Upon the effectiveness of the Exchange Offer Registration Statement, the Company will offer to the Holders of Transfer Restricted Securities pursuant to the Exchange Offer who are able to make certain representations the opportunity to exchange their Transfer Restricted Securities for Exchange Notes. If (i) the Company is not required to file the Exchange Offer Registration Statement or permitted to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy or (ii) any Holder of Transfer Restricted Securities notifies the Company prior to the 20th day following consummation of the Exchange Offer that (A) it is prohibited by law or Commission policy from participating in the Exchange Offer or (B) that it may not resell the Exchange Notes acquired by it in the

Exchange Offer to the public without delivering a prospectus and the prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales or (C) that it is a broker-dealer and owns Old Notes acquired directly from the Company or an affiliate of the Company, the Company will file with the Commission a Shelf Registration Statement to cover resales of the Exchange Notes by the Holders thereof who satisfy certain conditions relating to the provision of information in connection with the Shelf Registration Statement. The Company will use its best efforts to cause the applicable registration statement to be declared effective as promptly as possible by the Commission. For purposes of the foregoing, "Transfer Restricted Securities" means each Old Note until (i) the date on which such Old Note has been exchanged by a person other than a broker-dealer for an Exchange Note in the Exchange Offer, (ii) following the exchange by a broker-dealer in the Exchange Offer of an Old Note for an Exchange Note, the date on which such Exchange Note is sold to a purchaser who receives from such broker-dealer on or prior to the date of such sale a copy of the prospectus contained in the Exchange Offer Registration Statement, (iii) the date on which such Old Note has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement or (iv) the date on which such Old Note is distributed to the public pursuant to Rule 144 under the Act.

The Registration Rights Agreement provides that (i) the Company will file an Exchange Offer Registration Statement with the Commission on or prior to 90 days after the Issue Date, (ii) the Company will use its best efforts to have the Exchange Offer Registration Statement declared effective by the Commission on or prior to 150 days after the Issue Date, (iii) unless the Exchange Offer would not be permitted by applicable law or Commission policy, the Company will commence the Exchange Offer and use its best efforts to issue on or prior to 30 business days after the date on which the Exchange Offer Registration Statement was declared effective by the Commission, New Exchange Notes in exchange for all Exchange Notes tendered prior thereto in the Exchange Offer and (iv) if obligated to file the Shelf Registration Statement, the Company will use its best efforts to file the Shelf Registration Statement with the Commission on or prior to 30 days after such filing obligation arises and to cause the Shelf Registration Statement to be declared effective by the Commission on or prior to 90 days after such obligation arises. If (A) the Company fails to file any of the Registration Statements required by the Registration Rights Agreement on or before the date specified above for such filing, (B) any of such Registration Statements is not declared effective by the Commission on or prior to the date specified for such effectiveness (the "Effectiveness Target Date"), (C) the Company fails to consummate the Exchange Offer within 30 business days of the Effectiveness Target Date with respect to the Exchange Offer Registration Statement, or (D) the Shelf Registration Statement or the Exchange Offer Registration Statement is declared effective but thereafter ceases to be effective or usable in connection with resales of Transfer Restricted Securities during the periods specified in the Registration Rights Agreement (each such event referred to in clauses (A) through (D) above a "Registration Default"), then the Company will pay Liquidated Damages to each Holder of Old Notes, with respect to the first 90-day period immediately following the occurrence of the first Registration Default in an amount equal to $.05 per week per $1,000 principal amount of Old Notes held by such Holder. The amount of the Liquidated Damages will increase by an additional $.05 per week per $1,000 principal amount of Old Notes with respect to each

subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of Liquidated Damages of $.50 per week per $1,000 principal amount of Old Notes. All accrued Liquidated Damages will be paid by the Company on each Damages Payment Date to the Global Note Holder by wire transfer of immediately available funds or by federal funds check and to Holders of certificated Old Notes by wire transfer to the accounts specified by them or by mailing checks to their registered addresses if no such accounts have been specified. Following the cure of all Registration Defaults, the accrual of Liquidated Damages will cease.

Holders of Old Notes will be required to make certain representations to the Company (as described in the Registration Rights Agreement) in order to participate in the Exchange Offer and will be required to deliver information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the Registration Rights Agreement in order to have their Old Notes included in the Shelf Registration Statement and benefit from the provisions regarding Liquidated Damages set forth above.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, including, without limitation, Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person, and (ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Asset Sale" means (i) the sale, lease, conveyance or other disposition of any assets or rights (including, without limitation, by way of a sale and leaseback) other than sales of inventory in the ordinary course of business consistent with past practices (provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "--Change of Control" and/or the provisions described above under the caption "--Merger, Consolidation or Sale of Assets" and not by the provisions of the Asset Sale covenant), and (ii) the issue or sale by

the Company or any of its Subsidiaries of Equity Interests of any of the Company's Restricted Subsidiaries, in the case of either clause (i) or (ii), whether in a single transaction or a series of related transactions (A) that have a fair market value in excess of $1.0 million or (B) for net proceeds in excess of $1.0 million. Notwithstanding the foregoing: (i) a transfer of assets by the Company to a Restricted Subsidiary or by a Restricted Subsidiary to the Company or to another Restricted Subsidiary, (ii) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary, (iii) a Restricted Payment that is permitted by the covenant described above under the caption "--Restricted Payments" and (iv) a disposition of Cash Equivalents in the ordinary course of business will not be deemed to be an Asset Sale.

"Attributable Debt" in respect of a sale and leaseback transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended).

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means (i) United States dollars, (ii) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition, (iii) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic financial institution to the Senior Credit Facilities or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thompson Bank Watch Rating of "B" or better, (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (ii) and (iii) above entered into with any financial institution meeting the qualifications specified in clause (iii) above, (v) commercial paper having the highest rating obtainable from Moody's or S&P's and in each case maturing within six months after the date of acquisition, (vi) investment funds investing 95% of their assets in securities of the types described in clauses (i)-(v) above, and (vii) readily marketable direct obligations issued by any State of the United States of America or any political subdivision thereof having maturities of not more than one year from the date of acquisition and having one of the two highest rating categories obtainable from either Moody's or S&P.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus (i) an amount equal to any extraordinary loss plus any net loss realized in connection with an Asset Sale (to the extent such losses were deducted in computing such Consolidated Net Income), plus (ii) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was included in computing such Consolidated Net Income, plus (iii) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated Net Income, plus (iv) depreciation, amortization (including amortization of goodwill, debt issuance costs and other intangibles but excluding amortization of other prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income, minus (v) non-cash items increasing such Consolidated Net Income for such period, in each case, on a consolidated basis and determined in accordance with GAAP.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that (i) the Net Income of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Restricted Subsidiary thereof that is a Guarantor, (ii) the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, (iii) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded, (iv) the cumulative effect of a change in accounting principles shall be excluded, (v) the Net Income of any Unrestricted Subsidiary shall be excluded, whether or not distributed to the Company or one of its Restricted Subsidiaries, and (vi) the Net Income of any Restricted Subsidiary shall be calculated after deducting preferred stock dividends payable by such Restricted Subsidiary to Persons other than the Company and its other Restricted Subsidiaries.

"Consolidated Net Tangible Assets" means, as of any date of determination, shareholders' equity of the Company and its Restricted

Subsidiaries, determined on a consolidated basis in accordance with GAAP, less goodwill and other intangibles (other than patents, trademarks, licenses, copyrights and other intellectual property and prepaid assets).

"Credit Facilities" means, with respect to the Company, one or more debt facilities (including, without limitation, the Senior Credit Facilities) or commercial paper facilities with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Designated Senior Debt" means (i) any Indebtedness outstanding under the Senior Credit Facilities and (ii) any other Senior Debt permitted under the Indenture the principal amount of which is $25.0 million or more and that has been designated by the Company as "Designated Senior Debt".

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the Holder thereof, in whole or in part, on or prior to the date that is 91 days after the date on which the Exchange Notes mature; provided, however, that if such Capital Stock is issued to any plan for the benefit of employees of the Company or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company in order to satisfy applicable statutory or regulatory obligations.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means any public or private sale of equity securities (excluding Disqualified Stock) of the Company or Holdings, other than any private sales to an Affiliate of the Company or Holdings.

"Existing Indebtedness" means any Indebtedness of the Company (other than Indebtedness under the Senior Credit Facilities and the Exchange Notes) in existence on the Issue Date, until such amounts are repaid.

"Fixed Charges" means, with respect to any Person for any period, the sum, without duplication, of (i) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net

payments (if any) pursuant to Hedging Obligations, but excluding amortization of debt issuance costs) and (ii) the consolidated interest of such Person and its Restricted Subsidiaries that was capitalized during such period, and (iii) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (whether or not such Guarantee or Lien is called upon) and (iv) the product of (A) all dividend payments, whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividend payments on Equity Interests payable solely in Equity Interests of the Company, times (B) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Charge Coverage Ratio" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person and its Restricted Subsidiaries for such period. In the event that the Company or any of its Restricted Subsidiaries incurs, assumes, Guarantees or redeems any Indebtedness (other than revolving credit borrowings) or issues preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, Guarantee or redemption of Indebtedness, or such issuance or redemption of preferred stock, as if the same had occurred at the beginning of the applicable four-quarter reference period. In addition, for purposes of making the computation referred to above, (i) acquisitions that have been made by the Company or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be deemed to have occurred on the first day of the four-quarter reference period and Consolidated Cash Flow for such reference period shall be calculated without giving effect to clause (iii) of the proviso set forth in the definition of Consolidated Net Income, and (ii) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, and (iii) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the referent Person or any of its Restricted Subsidiaries following the Calculation Date.

"Foreign Subsidiary" means a Restricted Subsidiary of the Company that was not organized or existing under the laws of the United States, any state thereof, the District of Columbia or any territory thereof.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such

other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date.

"Guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"Guarantors" means each Subsidiary of the Company that executes a Subsidiary Guarantee in accordance with the provisions of the Indenture, and their respective successors and assigns.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (i) currency exchange or interest rate swap agreements, interest rate cap agreements and currency exchange or interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or interest rates.

"Holdings" means L-3 Communications Holdings, Inc.

"Indebtedness" means, with respect to any Person, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing Capital Lease Obligations or the balance deferred and unpaid of the purchase price of any property or representing any Hedging Obligations, except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, as well as all indebtedness of others secured by a Lien on any asset of such Person (whether or not such indebtedness is assumed by such Person) and, to the extent not otherwise included, the Guarantee by such Person of any indebtedness of any other Person. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof, in the case of any Indebtedness that does not require current payments of interest, and (ii) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees of Indebtedness or other obligations), advances or capital contributions (excluding commission, travel, moving and similar loans or advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company shall be deemed to have

made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in the last paragraph of the covenant described above under the caption "--Restricted Payments".

"Issue Date" means the closing date for the sale and original issuance of the Exchange Notes under the Indenture.

"Lehman Investor" means Lehman Brothers Holdings Inc. and any of its Affiliates.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Marketable Securities" means, with respect to any Asset Sale, any readily marketable equity securities that are (i) traded on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market; and (ii) issued by a corporation having a total equity market capitalization of not less than $250.0 million; provided that the excess of (A) the aggregate amount of securities of any one such corporation held by the Company and any Restricted Subsidiary over (B) ten times the average daily trading volume of such securities during the 20 immediately preceding trading days shall be deemed not to be Marketable Securities; as determined on the date of the contract relating to such Asset Sale.

"Moody's" means Moody's Investors Services, Inc.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (i) any gain or loss, together with any related provision for taxes thereon, realized in connection with (A) any Asset Sale (including, without limitation, dispositions pursuant to sale and leaseback transactions) or (B) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries and (ii) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss and (iii) the cumulative effect of a change in accounting principles.

"Net Proceeds" means the aggregate cash proceeds received by the Company or any of its Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, and sales commissions) and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and

any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"Non-Recourse Debt" means Indebtedness (i) as to which neither the Company nor any of its Restricted Subsidiaries (A) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (B) is directly or indirectly liable (as a guarantor or otherwise), or (C) constitutes the lender; and (ii) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness (other than Indebtedness incurred under Credit Facilities) of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and (iii) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"Obligations" means any principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization, whether or not a claim for post-filing interest is allowed in such proceeding), penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages (including Liquidated Damages), guarantees and other liabilities or amounts payable under the documentation governing any Indebtedness or in respect thereto.

"Permitted Investments" means (i) any Investment in the Company or in a Restricted Subsidiary of the Company that is a Guarantor (ii) any Investment in cash or Cash Equivalents; (iii) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment (A) such Person becomes a Restricted Subsidiary of the Company and a Guarantor or (B) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company that is a Guarantor; (iv) any Restricted Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "--Repurchase at the Option of Holders--Asset Sales" or any disposition of assets not constituting an Asset sale; (v) any acquisition of assets solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company; (vi) advances to employees not to exceed $2.5 million at any one time outstanding; (vii) any Investment acquired in connection with or as a result of a workout or bankruptcy of a customer or supplier; (viii) Hedging Obligations permitted to be incurred under the covenant described above under the caption "--Incurrence of Indebtedness and Issuance of Preferred Stock"; (ix) any Investment in a Similar Business that is not a Restricted Subsidiary; provided that the aggregate fair market value of all Investments made pursuant to this clause (ix) (valued on the date each such Investment was made and without giving effect to subsequent changes in value) may not exceed 5% of the Consolidated Net Tangible Assets of the Company; and (x) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to

this clause (x) that are at the time outstanding, not to exceed $15.0 million.

"Permitted Junior Securities" means Equity Interests in the Company or debt securities that are subordinated to all Senior Debt (and any debt securities issued in exchange for Senior Debt) to substantially the same extent as, or to a greater extent than, the Exchange Notes and the Subsidiary Guarantees are subordinated to Senior Debt pursuant to Article 10 of the Indenture.

"Permitted Liens" means (i) Liens securing Senior Debt of the Company or any Guarantor that was permitted by the terms of the Indenture to be incurred; (ii) Liens in favor of the Company or any Guarantor; (iii) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Company or any Restricted Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company; (iv) Liens on property existing at the time of acquisition thereof by the Company or any Subsidiary of the Company, provided that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any other assets of the Company or any of its Restricted Subsidiaries; (v) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business; (vi) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (v) of the second paragraph of the covenant entitled "Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired with such Indebtedness -- ; (vii) Liens existing on the Issue Date; (viii) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, provided that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor; (ix) Liens incurred in the ordinary course of business of the Company or any Restricted Subsidiary of the Company with respect to obligations that do not exceed $5.0 million at any one time outstanding; (x) Liens on assets of Guarantors to secure Senior Debt of such Guarantors that was permitted by the Indenture to be incurred; (xi) Liens securing Permitted Refinancing Indebtedness, provided that any such Lien does not extend to or cover any property, shares or debt other than the property, shares or debt securing the Indebtedness so refunded, refinanced or extended; (xii) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, government contracts, performance and return of money bonds and other obligations of a like nature, in each case incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money); (xiii) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business; (xiv) Liens encumbering customary initial deposits and margin deposits, and other Liens incurred in the ordinary course of business that are within the general parameters customary in the industry, in each case securing Indebtedness under Hedging Obligations; and (xv) Liens encumbering deposits made in the ordinary course of business to secure nondelinquent obligations arising from statutory or

regulatory, contractual or warranty requirements of the Company or its Subsidiaries for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Company or any of its Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries; provided that: (i) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus accrued interest on, the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of reasonable expenses and prepayment premiums incurred in connection therewith); (ii) such Permitted Refinancing Indebtedness has a final maturity date no earlier than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; (iii) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Exchange Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Exchange Notes on terms at least as favorable to the Holders of Exchange Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and (iv) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"Permitted Securities" means, with respect to any Asset Sale, Voting Stock of a Person primarily engaged in one or more Similar Businesses; provided that after giving effect to the Asset Sale such Person shall become a Restricted Subsidiary and a Guarantor.

"Representative" means the indenture trustee or other trustee, agent or representative for any Senior Debt.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" means, with respect to any Person, each Subsidiary of such Person that is not an Unrestricted Subsidiary.

"Senior Credit Facilities" means the credit agreement, dated as of the Issue Date among the Company and a syndicate of banks and other financial institutions led by Lehman Commercial Paper Inc., as syndication agent, and any related notes, collateral documents, letters of credit and guarantees, including any appendices, exhibits or schedules to any of the foregoing (as the same may be in effect from time to time), in each case, as such agreements may be amended, modified, supplemented or restated from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid or extended from time to time (whether with the original agents and lenders or other agents and lenders or otherwise, and whether provided under the original credit agreement or other credit agreements or otherwise).

"Senior Debt" means (i) all Indebtedness of the Company or any of its Restricted Subsidiaries outstanding under Credit Facilities and all Hedging Obligations with respect thereto, (ii) any other Indebtedness permitted to be incurred by the Company or any of its Restricted Subsidiaries under the terms of the Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Exchange Notes and (iii) all Obligations with respect to the foregoing. Notwithstanding anything to the contrary in the foregoing, Senior Debt will not include (i) any liability for federal, state, local or other taxes owed or owing by the Company, (ii) any Indebtedness of the Company to any of its Subsidiaries or other Affiliates, (iii) any trade payables or (iv) any Indebtedness that is incurred in violation of the Indenture.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Act, as such Regulation is in effect on the date hereof.

"Similar Business" means a business, a majority of whose revenues in the most recently ended calendar year were derived from (i) the sale of defense products, electronics, communications systems, aerospace products, avionics products and/or communications products, (ii) any services related thereto, (iii) any business or activity that is reasonably similar thereto or a reasonable extension, development or expansion thereof or ancillary thereto, and (iv) any combination of any of the foregoing.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (ii) any partnership (A) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (B) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"S&P" means Standard and Poor's Corporation.

"Transaction Documents" means the Indenture, the Exchange Notes, the Purchase Agreement and the Registration Rights Agreement.

"Unrestricted Subsidiary" means any Subsidiary that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution, but only to the extent that such Subsidiary: (i) has no Indebtedness other than Non-Recourse Debt; (ii) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to

the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company; (iii) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (A) to subscribe for additional Equity Interests or (B) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; (iv) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries; and (v) has at least one director on its board of directors that is not a director or executive officer of the Company or any of its Restricted Subsidiaries and has at least one executive officer that is not a director or executive officer of the Company or any of its Restricted Subsidiaries. Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions and was permitted by the covenant described above under the caption "Certain Covenants -- Restricted Payments". If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "Incurrence of Indebtedness and Issuance of Preferred Stock", the Company shall be in default of such covenant). The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (i) such Indebtedness is permitted under the covenant described under the caption "Certain Covenants--Incurrence of Indebtedness and Issuance of Preferred Stock", calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period, and (ii) no Default or Event of Default would be in existence following such designation.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (A) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (B) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"Wholly Owned" means, when used with respect to any Subsidiary or Restricted Subsidiary of a Person, a Subsidiary (or Restricted Subsidiary, as appropriate) of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries (or Wholly Owned Restricted Subsidiaries, as appropriate) of such Person and one or more Wholly Owned Subsidiaries (or Wholly Owned Restricted Subsidiaries, as appropriate) of such Person.

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS

The exchange of Old Notes for Exchange Notes will not constitute a recognition event for federal income tax purposes. Consequently, no gain or loss will be recognized by Holders upon receipt of the Exchange Notes. For purposes of determining gain or loss upon the subsequent sale or exchange of Exchange Notes, a Holder's basis in Exchange Notes will be the same as such Holder's basis in the Old Notes exchanged therefor. Holders will be considered to have held the Exchange Notes from the time of their original acquisition of the Old Notes.

In any event, persons considering the exchange of Old Notes for Exchange Notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdictions.

PLAN OF DISTRIBUTION

Each broker-dealer that receives Exchange Notes for its own account pursuant to the Exchange Offer must acknowledge that it will deliver a prospectus in connection with any resale of such Exchange Notes. This Prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of Exchange Notes received in exchange for Old Notes where such Old Notes were acquired as a result of market-making activities or other trading activities. To the extent any such broker-dealer participates in the Exchange Offer and so notifies the Company, or causes the Company to be so notified in writing, the Company has agreed that a period of 180 days after the date of this Prospectus, it will make this Prospectus, as amended or supplemented, available to such broker-dealer for use in connection with any such resale, and will promptly send additional copies of this Prospectus and any amendment or supplement to this Prospectus to any broker-dealer that requests such documents in the Letter of Transmittal.

The Company will not receive any proceeds from any sale of Exchange Notes by broker-dealers. Exchange Notes received by broker-dealers for their own account pursuant to the Exchange Offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the Exchange Notes or a combination of such methods of resale, at prevailing market prices at the time of resale, at prices related to such prevailing market prices or at negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any such broker-dealer or the purchasers or any such Exchange Notes. Any broker-dealer that resells Exchange Notes that were received by it for its own account pursuant to the Exchange Offer and any broker or dealer that participates in a distribution of such Exchange Notes may be deemed to be an "underwriter" within the meaning of the Securities Act, and any profit on any such resale of Exchange Notes and any commissions or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The Letter of Transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

The Company has agreed to pay all expenses incident to the Exchange Offer (other than commissions and concessions of any broker-dealers), subject to certain prescribed limitations, and will indemnify the holders of the Old Notes against certain liabilities, including certain liabilities that may arise under the Securities Act.

By its acceptance of the Exchange Offer, any broker-dealer that receives Exchange Notes pursuant to the Exchange Offer hereby agrees to notify the Company prior to using the Prospectus in connection with the sale or transfer of Exchange Notes, and acknowledges and agrees that, upon receipt of notice from the Company of the happening of any event which makes any statement in the Prospectus untrue in any material respect or which requires the making of any changes in the Prospectus in order to make the statements therein not misleading or which may impose upon the Company disclosure obligations that may have a material adverse effect on the Company (which notice the Company agrees to deliver promptly to such broker-dealer), such broker-dealer will suspend use of the Prospectus until the Company has notified such broker-dealer that delivery of the Prospectus may resume and has furnished copies of any amendment or supplement to the Prospectus to such broker-dealer.

LEGAL MATTERS

Certain legal matters will be passed upon for the Company by Simpson Thacher & Bartlett (a partnership which includes professional corporations), New York, New York.

EXPERTS

The combined financial statements of the Lockheed Martin Predecessor Businesses as of March 31, 1997 and for the three months then ended, as of December 31, 1996 and for the year then ended, the Loral Acquired Businesses for the three months ended March 31, 1996 and for the years ended December 31, 1995 and 1994 and the balance sheet of L-3 Communications Corporation as of April 29, 1997, included in this Prospectus, have been included herein in reliance on the report of Coopers & Lybrand L.L.P., independent auditors, given on the authority of that firm as experts in accounting and auditing. The report on the combined financial statements of the Lockheed Martin Predecessor Businesses for the year ended December 31, 1996 states that Coopers & Lybrand L.L.P.'s opinion, insofar as it relates to the financial statements of the Lockheed Martin Communications Systems Division included in such combined financial statements, is based solely on the report of other auditors.

The combined financial statements of Lockheed Martin Communications Systems Division at December 31, 1996 (not presented separately herein) and 1995, and the combined results of its operations and its cash flows for the year ended December 31, 1996 (not presented separately herein), and the results of its operations and its cash flows for each of the two years in the period ended December 31, 1995, which is referred to and made a part of this Prospectus and Registration Statement, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

INDEX TO FINANCIAL STATEMENTS

L-3 COMMUNICATIONS CORPORATION

CONDENSED CONSOLIDATED (COMBINED)
FINANCIAL STATEMENTS

As of June 30, 1997 (unaudited) and December 31, 1996 and for the six months ended June 30, 1997 (unaudited) and 1996 (unaudited)

L-3 COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED (COMBINED) BALANCE SHEETS
(In thousands)

	The Company	Predecessor Company
	June 30, 1997	December 31, 1996
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,623	--
Contracts in process	214,740	$198,073
Other current assets	2,102	3,661
Total current assets	239,465	201,734
Property, plant and equipment	111,074	116,566
Less, accumulated depreciation and amortization	4,427	24,983
	106,647	91,583
Intangibles, primarily cost in excess of net assets acquired, net of amortization	301,254	282,674
Other assets	33,539	17,307
	$680,905	$593,298
LIABILITIES AND INVESTED EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 4,000	--
Accounts payable, trade	35,999	$ 34,163
Accrued employment costs	31,917	27,313
Billings and estimated earnings in excess of cost	16,541	14,299
Other current liabilities	33,418	27,113
Total current liabilities	121,875	102,888

L-3 COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED (COMBINED) BALANCE SHEETS
(In thousands)

	The Company	Predecessor Company
	June 30, 1997	December 31, 1996
	(Unaudited)	
Pension and postretirement benefits	27,412	--
Other liabilities	16,027	16,801
Long-term debt	395,000	--
Commitment and contingencies		
Shareholders' Equity at June 30, 1997		
Common Stock, $.01 par value, authorized 100 shares, issued 100 shares.	125,000	--
Retained Earnings	3,091	--
Deemed Distribution	(7,500)	--
Invested equity at December 31, 1996	--	473,609
	$680,905	$593,298

See notes to condensed consolidated (combined) financial statements.

L-3 COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED (COMBINED) STATEMENTS OF OPERATIONS
(In thousands)
(Unaudited)

	The Company	Predecessor Company
	Three Months Ended June 30, 1997	Three Months Ended June 30, 1996
Sales	$168,030	$165,294
Cost and expenses	152,909	156,040
Operating income	15,121	9,254
Net interest expense	9,970	7,386
Income before income taxes	5,151	1,868
Income taxes	2,060	1,131
Net income	$ 3,091	$ 737

See notes to condensed consolidated (combined) financial statements.

L-3 COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED (COMBINED) STATEMENTS OF OPERATIONS
(In thousands)

	The Company	Predecessor Company	
	Three Months Ended June 30, 1997	Three Months Ended March 31, 1997	Six Months Ended June 30, 1996
	(Unaudited)		(Unaudited)
Sales	$168,030	$158,873	$206,447
Cost and expenses	152,909	150,937	195,517
Operating income	15,121	7,936	10,930
Net Interest expense	9,970	8,441	9,414
Income (loss) before income taxes	5,151	(505)	1,516
Income taxes	2,060	(247)	1,276
Net income (loss)	$ 3,091	$ (258)	$ 240

See notes to condensed consolidated (combined) financial statements.

L-3 COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED (COMBINED) STATEMENTS OF CASH FLOWS
(In thousands)

	The Company	Predecessor Company	
	Three Months Ended June 30, 1997	Three Months Ended March 31, 1997	Six Months Ended June 30, 1996
	(Unaudited)		(Unaudited)
Operating activities:			
Net income (loss)	$ 3,091	$ (258)	$ 240
Depreciation and amortization	7,181	7,184	10,326
Changes in operating assets and liabilities			
Contracts in process	9,318	(17,475)	10,780
Other current assets	480	(481)	3,718
Other assets	3,683	(159)	(10,220)
Accounts payable	(4,028)	(207)	(5,631)
Accrued employment costs	6,783	(625)	2,914
Billings and estimated earnings in excess of cost	1,133	(1,891)	(17,238)
Other current liabilities	3,742	(1,867)	(2,970)
Pension and postretirement benefits	(1,088)	--	--
Other liabilities	2,626	(500)	(21,330)
Net cash from (used in) operating activities	32,921	(16,279)	(29,411)
Investing activities:			
Acquisition of business	(470,700)	--	(287,803)
Capital expenditures	(3,120)	(4,300)	(4,692)
Disposition of property, plant and equipment	211	--	497
Net cash used in investing activities	(473,609)	(4,300)	(291,998)

See notes to condensed consolidated (combined) financial statements.

L-3 COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED (COMBINED) STATEMENTS OF CASH FLOWS
(In thousands)

	The Company	Predecessor Company	
	Three Months Ended June 30, 1997	Three Months Ended March 31, 1997	Six Months Ended June 30, 1996
	(Unaudited)		(Unaudited)
Financing activities:			
Advances from Lockheed Martin	--	20,579	321,409
Borrowings under senior credit facility	175,000	--	--
Proceeds from sale of 10 3/8% subordinated notes	225,000	--	--
Proceeds from issuance of common stock	80,000	--	--
Debt issuance costs	(15,689)	--	--
Payment of debt	(1,000)	--	--
Net cash from financing activities	463,311	20,579	321,409
Net change in cash	22,623	--	--
Cash and cash equivalents, beginning of the period	--	--	--
Cash and cash equivalents, end of the period	$ 22,623	--	--
Supplemental information:			
Cash paid for interest during the period	--	--	--
Cash paid for income taxes during the period	--	--	--
Issuance of common stock to Lockheed Martin in connection with the acquisition of business	$ 45,000	--	--

See notes to condensed consolidated (combined) financial statements.

L-3 Communications Corporation
Notes to Condensed Consolidated (Combined) Financial Statements

1. Basis of Presentation

The accompanying condensed consolidated (combined) financial statements include the assets, liabilities and results of operations of L-3 Communications Corporation, the successor company ("L-3" or the "Company") following the change in ownership (see Note 2) effective as of April 1, 1997 and for the period from April 1, 1997 to June 30, 1997. The statements also include on a combined basis, substantially all of the assets and certain liabilities of (i) nine business units previously purchased by Lockheed Martin Corporation ("Lockheed Martin") as part of its acquisition of Loral Corporation ("Loral") in April 1996, and (ii) one business unit, Communications Systems--Camden purchased by Lockheed Martin as part of its acquisition of the aerospace business of GE in April 1993, (collectively, the "Businesses" or the "Predecessor Company"), prior to the change in ownership and for the periods of January 1, 1996 to June 30, 1996 and January 1, 1997 to March 31, 1997, and as of December 31, 1996.

The accompanying unaudited condensed consolidated (combined) financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulations S-X of the Securities and Exchange Commission (SEC); accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. All significant intercompany balances and transactions have been eliminated. The balance sheet data as of December 31, 1996 and the financial statement data as of March 31, 1997 and for the three months ended March 31,1997 have been derived from the audited financial statements of the Predecessor Company for such periods. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results of operations for interim periods are not necessarily indicative of results for the entire year.

2. Change in Ownership Transaction

L-3 was formed on April 8, 1997, and is a wholly-owned subsidiary of L-3 Communications Holdings, Inc. ("Holdings"). Holdings and L-3 were formed by Mr. Frank C. Lanza, the former President and Chief Operating Officer of Loral, Mr. Robert V. LaPenta, the former Senior Vice President and Controller of Loral, Lehman Brothers Capital Partners III, L.P. and its affiliates (the "Lehman Partnership") and Lockheed Martin to acquire the Businesses.

On March 28, 1997, Lanza, LaPenta, the Lehman Partnership, Holdings, and Lockheed Martin entered into a Transaction Agreement whereby Holdings would acquire the Businesses from Lockheed Martin. Also included in the acquisition is a semiconductor product line of another business and certain leasehold improvements in New York City which were not material. Pursuant to the Transaction Agreement on April 30, 1997 (closing date), Holdings acquired the Businesses from Lockheed Martin for $525 million, comprised of $480

million of cash before an estimated $20 million reduction related to a purchase price adjustment, and $45 million of common equity, representing a 34.9% interest in Holdings retained by Lockheed Martin. Also pursuant to the Transaction Agreement, Lockheed Martin, on behalf and at the direction of Holdings, transferred the Businesses to the Company. The acquisition was financed with the debt proceeds of $400 million (see Note 5) and capital contributions of $125 million from Holdings, including the $45 million retained by Lockheed Martin.

In connection with the Transaction Agreement, Holdings, the Company and Lockheed Martin have entered into a transition services agreement pursuant to which Lockheed Martin will provide to L-3 and its subsidiaries (and L-3 will provide to Lockheed Martin) certain corporate services of a type previously provided at costs consistent with past practices until December 31, 1997 (or, in the case of Communications Systems--Camden, for a period of up to 18 months after the Closing) and the parties also entered into supply agreements which reflect existing intercompany work transfer agreements or similar support arrangements upon prices and other terms consistent with previously existing arrangements. Holdings, the Company and Lockheed Martin have entered into certain subleases of real property and cross-licenses of intellectual property.

Pursuant to the Transaction Agreement the Company also assumed certain obligations relating to environmental liabilities and benefit plans.

In accordance with Accounting Principles Board Opinion No. 16, the acquisition of the Businesses by Holdings and L-3 has been accounted for as a purchase business combination effective as of April 1, 1997. The purchase cost (including the fees and expenses related thereto) was allocated to the tangible and intangible assets and liabilities of the Company based upon their respective fair values. The assets and liabilities recorded in connection with the purchase price allocation were $660.3 million and $152.1 million, respectively. The excess of the purchase price over the fair value of net assets acquired of $306.2 million was recorded as good will, and is being amortized on a straight-line basis over a period of 40 years. Also in connection with the purchase price allocation estimated deferred tax assets of $35 million, fully offset by a valuation allowance, were recorded related principally to differences between book and tax bases of assumed liabilities. As a result of the 34.9% ownership interest retained by Lockheed Martin, the provisions of EITF 88-16 were applied in connection with the purchase price allocation, which resulted in recording net assets at approximately 34.9% of Lockheed Martin's carrying values in the Businesses plus 65.1% at fair value, and the recognition of a deemed distribution of $7.5 million. The assets and liabilities recorded in connection with the purchase price allocation, are based on preliminary estimates of fair values; actual adjustments will be based on final appraisals and other analyses of fair values which are currently in progress. Changes between preliminary and financial allocations for the valuation of contracts in process, inventories, pension liabilities, fixed assets and deferred taxes could be material.

Had the acquisitions of the Businesses occurred on January 1, 1996, the unaudited pro forma sales and net income for the six months ended June 30, 1997 and 1996 would have been $326.9 million and $2.6 million and $338.6 million and $0.4 million, respectively. The pro forma results, which are based on various assumptions, are not necessarily indicative of what would

have occurred had the acquisition been consummated on January 1, 1996. The 1996 pro forma sales and net income have been adjusted to include the operations of the Loral Acquired Businesses from January 1, 1996 (See Note 3).

3. Predecessor Company Acquisitions

Effective April 1, 1996, Lockheed Martin acquired substantially all the assets and liabilities of the defense businesses of Loral, including the Wideband Systems Division and the Products Group which are included in the Businesses. The acquisition of the Wideband Systems Division and Products Group businesses (the "Loral Acquired Businesses") has been accounted for as a purchase by Lockheed Martin Communications Systems-Camden Division ("Divisions"). The acquisition has been reflected in the financial statements based on the purchase price allocated to those acquired businesses by Lockheed Martin. As such, the accompanying condensed combined financial statements for periods prior to April 1, 1997 reflected the results of operations of the Division and the Loral Acquired Businesses from the effective date of acquisition including the effects of an allocated portion of cost in excess of net assets acquired resulting from the acquisition. The assets and liabilities recorded in connection with the purchase price allocation were $401.0 million and $113.2 million, respectively.

4. Contracts and Progress

Billings and accumulated costs and profits on long-term contracts, principally with the U.S. Government, comprise the following:

	The Company June 30, 1997	Predecessor Company December 31, 1996
	(Unaudited) (Dollars in thousands)	
Billed contract receivables	$ 32,715	$ 40,299
Unbilled contract receivables	84,339	91,053
Other billed receivables, principally commercial and affiliates	37,555	41,154
Inventories costs	83,830	61,380
	238,439	233,886
Less, unliquidated progress payments	(23,699)	(35,813)
Net contracts in progress	$214,740	$198,073

5. Debt

The Company obtained $275 million of senior secured credit facilities which consisted of $175 million of term loan facilities and a $100 million revolving credit facility.

The revolving credit facilities expires in 2003 and is available for ongoing working capital and letter of credit needs. Substantially all of the revolving credit facility is available at June 30, 1997. The Company pays a commitment fee on the unused portion. The term loan facilities and revolving credit facility have bene provided by a syndicate of banks and financial institutions and bear interest at the option of the Company at a rate related to (i) the higher of federal funds rate plus 0.50% per annum or the reference rate published by Bank of America NT&SA or (ii) LIBOR. Interest payments vary in accordance with the type of borrowing and are made at a minimum every three months.

The aggregate principal payments for debt, excluding the revolving credit borrowings for the years ending December 31, 1998 through 2002 are: $5.0 million, $11.0 million, $19.0 million, $25.0 million and $33.2 million.

In April 1997, the Company also issued $225 million 10 3/8% senior subordinated notes due May 1, 2007 with interest payable semi-annually beginning November 1, 1997. The notes are redeemable under certain circumstances.

The costs relating to the issuance of debt have been capitalized and are being amortized as interest expense using a method that approximates the effective interest method over the term of the related debt.

6. Contingencies

Management is continually assessing the Company's obligations with respect to applicable environmental protection laws. While it is difficult to determine the timing and ultimate cost to be incurred by the Company in order to comply with these laws, based upon available internal and external assessments, with respect to those environmental loss contingencies of which management of the Company is aware, the Company believes that even without considering potential insurance recoveries, if any, there are no environmental loss contingencies that, individually or in the aggregate, would be material to the Company's results of operations. The Company accrues for these contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The Company is engaged in providing products and services under contracts with the U.S. Government and to a lesser degree, under foreign government contracts, some of which are funded by the U.S. Government. All such contracts are subject to extensive legal and regulatory requirements, and, from time to time, agencies of the U.S. Government investigate whether such contracts were and are being conducted in accordance with these requirements. Under government procurement regulations, an indictment of the Company by a federal grand jury could result in the Company being suspended for a period of time from eligibility for awards of new government contracts.

A conviction could result in debarment from contracting with the federal government for a specified term.

The Company is periodically subject to litigation, claims or assessments and various contingent liabilities (including environmental matters) incidental to its business. With respect to those investigative actions, items of litigation, claims or assessments of which they are aware, management of the Company is of the opinion that the probability is remote that, after taking into account certain provisions that have been made with respect to these matters, the ultimate resolution of any such investigative actions, items of litigation, claims or assessments will have a material adverse effect on the financial position or results of operations of the Company.

7. Recent Accounting Pronouncements

In February 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share." SFAS No. 128 establishes accounting standards for computing and presenting earnings per share and applies to entities with publicly held common stock or potential common stock. In February 1997,the FASB issued SFAS No. 129, "Disclosures of Information about Capital Structure." SFAS No. 129 requires disclosure of for all type of securities issued and applies to all entities that have issued securities. In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosure about Segments of an Enterprise and related Information." SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set general-purpose financial statements. SFAS No. 131 establishes accounting standards for the way that public business enterprises report information about operating segments and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. SFAS No. 128 and SFAS No. 129 are required to be adopted for periods ending after December 15, 1997, and SFAS No. 130 and SFAS No. 131 are required to be adopted by 1998. The Company is currently evaluating the impact, if any of these new FASB statements.

L-3 COMMUNICATIONS CORPORATION

Balance Sheet as of April 29, 1997

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of L-3 Communications Corporation

We have audited the accompanying balance sheet of L-3 Communications Corporation (a Delaware company) as of April 29, 1997. This financial statement is the responsibility of L-3 Communications Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of L-3 Communications Corporation as of April 29, 1997, in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

1301 Avenue of the Americas
New York, New York 10019
July 16, 1997

L-3 COMMUNICATIONS CORPORATION

BALANCE SHEET

April 29, 1997

ASSETS:	
Cash	$1.00
Total Assets	$1.00
LIABILITIES AND SHAREHOLDER'S EQUITY	
Shareholder's Equity	
Common Stock, $.01 par value 100 shares authorized and outstanding	$1.00
Total Shareholder's Equity	$1.00

See notes to balance sheet.

L-3 COMMUNICATIONS CORPORATION
NOTES TO BALANCE SHEET

1. Formation of L-3 Communications Corporation

On April 8, 1997, L-3 Communications Corporation (the "Company") was incorporated under the Delaware General Corporation Law as a wholly owned subsidiary of L-3 Communications Holdings Inc. for the purpose of effectuating the transactions described below.

2. Acquisition

On January 31, 1997, Lockheed Martin Corporation ("Lockheed Martin"), Lehman Brothers Holdings Inc. ("Lehman"), Frank C. Lanza ("Lanza") and Robert V. LaPenta ("LaPenta") entered into a Memorandum of Understanding regarding the transfer of certain businesses of Lockheed Martin to a newly formed corporation ("Newco") to be owned by Lockheed Martin, Lehman, Lanza and LaPenta. The businesses included a Lockheed Martin's Wideband Systems Division, Communications Systems Division and Products Group, comprising eleven autonomous operations (collectively the "Lockheed Martin Predecessor Business" or the "Businesses"). Also included in the transaction is the acquisition of a semiconductor product line of another business and certain leasehold improvements in New York City.

Closing of the transaction occurred on April 30, 1997. The total consideration paid to Lockheed Martin was $525 million, comprised of $480 million of cash before an estimated $20 million reduction related to a purchase price adjustment, and $45 million of common equity being retained by Lockheed Martin. The Company is a wholly owned subsidiary of L-3 Communications Holdings, Inc. ("Holdings"), and Holdings is capitalized with $125 million of common equity, with Lanza and LaPenta collectively owning 15.0%, the Lehman Partnership owning 50.1% and Lockheed Martin owning 34.9%. In connection with the Closing the Company has received a $125 million capital contribution from Holdings and incurred debt of $400 million.

3. Agreements

In connection with the acquisition, the Company entered into a Transaction Agreement, senior credit facilities, and issued 10 3/8% Senior Subordinated Notes Due 2007.

Pursuant to the Transaction Agreement, Holdings, the Company and Lockheed Martin have entered into a transition services agreement pursuant to which Lockheed Martin will provide to Holdings and its subsidiaries (and Holdings will provide to Lockheed Martin) certain corporate services of the types currently provided at costs consistent with past practices until December 31, 1997 (or, in the case of Communication Systems--Camden, for a period of up to 18 months after the Closing) and the parties also entered into supply agreements which reflect existing intercompany work transfer agreements or similar support arrangements upon prices and other terms consistent with the present arrangements. Holdings, the Company and Lockheed Martin have entered into certain subleases of real property and cross-licenses of intellectual property.

Pursuant to the Transaction Agreement the Company assumed certain obligations relating to environmental liabilities and benefit plans.

The 10-3/8% Senior Subordinated Notes are due in May 1, 2007 with interest payable semi-annually beginning November 1, 1997. The Notes are redeemable under certain circumstances.

The Term Loans and Revolving Credit Facility have been provided by a syndicate of banks and financial institution and bear interest at the option of the Company at a rate related to the (i) Loan of Federal Funds Rate, or the reference rate published by Bank of America NT&SA or (ii) LIBOR.

The Revolving Credit Facility terminates on March 31, 2003. The Term Loans will be subject to the following Amortization schedule.

[CAPTION]

	Tranche A Term Loan	Tranche B Term Loan	Tranche C Term Loan
Year 1	$ 4,000,000	$ 500,000	$ 500,000
Year 2	5,000,000	500,000	500,000
Year 3	15,000,000	500,000	500,000
Year 4	21,000,000	500,000	500,000
Year 5	27,000,000	500,000	500,000
Year 6	28,000,000	500,000	500,000
Year 7	--	20,000,000	500,000
Year 8	--	22,000,000	500,000
Year 9	--	--	26,000,000

LOCKHEED MARTIN PREDECESSOR BUSINESSES

COMBINED FINANCIAL STATEMENTS

as of March 31, 1997
and for the three months ended March 31, 1997 and 1996 (Unaudited)

Report of Independent Auditors

To the Board of Directors of
L-3 Communications Corporation

We have audited the accompanying combined balance sheet of the Lockheed Martin Predecessor Businesses, as defined in Note 1 to the financial statements, (the "Businesses") as of March 31, 1997 and the related combined statements of operations and changes in invested equity and cash flows for the three months then ended. These financial statements are the responsibility of the Businesses' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards required that we plan and perform our audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Lockheed Martin Predecessor Businesses as of March 31, 1997 and their combined results of operations and cash flows for the three months then ended, in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

1301 Avenue of the Americas
New York, New York 10019
July 11, 1997

LOCKHEED MARTIN PREDECESSOR BUSINESSES

COMBINED BALANCE SHEET
(in thousands)

	March 31, 1997
ASSETS	
Current assets:	
Contracts in process	$215,548
Other current assets	4,142
Total current assets	219,690
Property, plant and equipment	120,423
Less, accumulated depreciation and amortization	29,069
	91,354
Intangibles, primarily cost in excess of net assets acquired, net of amortization	280,145
Other assets	17,340
	$608,529
LIABILITIES AND INVESTED EQUITY	
Current liabilities:	
Accounts payable, trade	$ 33,956
Accrued employment costs	26,688
Billings and estimated earnings in excess of cost	12,408
Other current liabilities	25,246
Total current liabilities	98,298
Other liabilities	16,301
Commitments and contingencies (Note 8)	
Invested equity	493,930
	$608,529

See notes to combined financial statements.

LOCKHEED MARTIN PREDECESSOR BUSINESSES
COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN INVESTED EQUITY
For the Three Months Ended March 31, 1997 and 1996 (unaudited)
(In thousands)

	1997	1996
		(Unaudited)
Sales	$158,873	$ 41,153
Cost of sales	150,937	39,477
Operating income	7,936	1,676
Allocated interested expense	8,441	2,028
Loss before income taxes	(505)	(352)
Income tax (benefit) expense	(247)	145
Net loss	(258)	(497)
Invested equity-beginning of period	473,609	194,663
Advances from (repayments to) Lockheed Martin	20,579	(9,751)
Invested equity-end of period	$493,930	$184,415

See notes to combined financial statements.

LOCKHEED MARTIN PREDECESSOR BUSINESSES
COMBINED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 1997 and 1996 (unaudited)
(In thousands)

	1997	1996
		(Unaudited)
Operating activities:		
Net loss	($258)	($497)
Depreciation and amortization	7,184	3,062
Changes in operating assets and liabilities:		
Contracts in process	(17,475)	9,071
Other current assets	(481)	(326)
Other assets	(159)	1,086
Accounts payable	(207)	(4,498)
Accrued employment costs	(625)	2,180
Customer advances and amounts in excess of costs incurred	(1,891)	60
Other current liabilities	(1,867)	(684)
Other liabilities	(500)	710
Net cash from (used in) operating activities	(16,279)	10,164
Investing activities:		
Capital expenditures	(4,300)	(413)
Financing activities:		
Advances from (repayments to) Lockheed Martin	20,579	(9,751)
Net change in cash	--	--

See notes to combined financial statements.

LOCKHEED MARTIN PREDECESSOR BUSINESSES
NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 1997
(Dollars in thousands)

1. Background and Description of Businesses

On January 31, 1997, Lockheed Martin Corporation ("Lockheed Martin"), Lehman Brothers Holdings Inc. ("Lehman"), Frank C. Lanza ("Lanza") and Robert V. LaPenta ("LaPenta") entered into a Memorandum of Understanding regarding the transfer of certain businesses of Lockheed Martin to a newly formed corporation ("Newco") owned by Lockheed Martin, Lehman, Lanza and LaPenta. The businesses transferred include Lockheed Martin's Wideband Systems Division, Communications Systems Division and Products Group, comprising eleven autonomous operations (collectively the "Lockheed Martin Predecessor Businesses" or the "Businesses"). Also included in the transaction is the acquisition of a semiconductor product line of another business and certain leasehold improvements in New York City.

Effective April 1, 1996, Lockheed Martin acquired substantially all the assets and liabilities of the defense businesses of Loral Corporation ("Loral"), including the Wideband Systems Division and the Products Group. The acquisition of the Wideband Systems Division and Products Group businesses (the "Acquired Businesses") has been accounted for as a purchase by Lockheed Martin Communications Systems Division ("Division"). The acquisition has been reflected in these financial statements based on the purchase price allocated to those acquired businesses by Lockheed Martin. As such, the accompanying combined financial statements reflect the results of operations of the Division and the Acquired Businesses from the effective date of acquisition including the effects of an allocated portion of cost in excess of net assets acquired resulting from the acquisition. The assets and liabilities recorded in connection with the purchase price allocation were $400,993 and $113,190, respectively.

Had the acquisition of Wideband Systems Division and the Products Group occurred on January 1, 1996, the unaudited pro forma sales and net income for the three months ended March 31, 1996 would have been $173,353 and $1,529, respectively. The pro forma results, which are based on various assumptions, are not necessarily indicative of what would have occurred had the acquisition been consummated on January 1, 1996.

The Businesses are suppliers of sophisticated secure communication systems and specialized communication products including secure, high data rate communication systems, commercial fixed wireless communication products, microwave components, avionic displays and recorders and instrument products. The Company's customers included the Department of Defense, selected U.S. government intelligence agencies, major aerospace/defense prime contractors and commercial customers. The Businesses operate primarily in one industry segment, electronic components and systems.

Substantially all the Businesses' products are sold to agencies of the U.S. Government, primarily the Department of Defense, to foreign government agencies or to prime contractors or subcontractors thereof. All

domestic government contracts and subcontracts of the Businesses are subject to audit and various cost controls, and include standard provisions for termination for the convenience of the U.S. Government. Multi-year U.S. Government contracts and related orders are subject to cancellation if funds for contract performance for any subsequent year become unavailable. Foreign government contracts generally include comparable provisions relating to termination for the convenience of the government.

The decline in the U.S. defense budget since the mid 1980s has resulted in program delays, cancellations and scope reduction for defense contracts in general. These events may or may not have an effect on the Businesses' programs; however, in the event that U.S. Government expenditures for products of the type manufactured by the Businesses are reduced, and not offset by greater commercial sales or other new programs or products, or acquisitions, there may be a reduction in the volume of contracts or subcontracts awarded to the Businesses.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying combined financial statements reflect the Businesses' assets, liabilities and operations included in Lockheed Martin's historical financial statements that were transferred to Newco. Intercompany accounts between Lockheed Martin and the Businesses have been included in invested equity. Significant inter-business transactions and balances have been eliminated. The assets and operations of the semiconductor product line and certain other facilities, which are not material to the combined financial statements, have been excluded from the combined financial statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires the Businesses' management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates and assumptions relate to contract estimates of sales and costs, allocations from Lockheed Martin, recoverability of recorded amounts of fixed assets and cost in excess of net assets acquired, litigation and environmental obligations. Actual results could differ from these estimates.

Sales and Earnings

Sales and profits on cost reimbursable contracts are recognized as costs are incurred. Sales and estimated profits under long-term contracts are recognized under the percentage of completion method of accounting using the cost-to-cost method. Amounts representing contract change orders or claims are included in sales only when they can be reliably estimated and realization is probable. Sales under short-term production-type contracts are recorded as units are shipped; profits applicable to such shipments are recorded pro rata, based upon estimated total profit at completion of the contract. Amounts representing contract change orders or claims are included in sales only when they can be reliably estimated and

realization is probable. Losses on contracts are recognized when determined. Revisions in profit estimates are reflected in the period in which the facts which require the revision become known.

Contracts In Process

Costs accumulated under long-term contracts include direct costs, as well as manufacturing overhead, and for government contracts, general and administrative costs, independent research and development costs and bid and proposal costs. Contracts in process contain amounts relating to contracts and programs for which the related operating cycles are longer than one year. In accordance with industry practice, these amounts are included in current assets.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided primarily using an accelerated method over the estimated useful lives (5 to 20 years) of the related assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements.

Intangibles

Intangibles, primarily the excess of the cost of purchased businesses over the fair value of the net assets acquired, is being amortized using a straight-line method primarily over a 40-year period. Other intangibles are amortized over their estimated useful lives which range from 11-15 years. Amortization expense was $2,655 and $1,896 (unaudited) for the three months ended March 31, 1997 and 1996, respectively. Accumulated amortization was $29,053 at March 31, 1997.

Intangibles include costs allocated to the Businesses relating to the Request for Funding Authorization ("RFA"), consisting of over 20 restructuring projects to reduce operating costs, initiated by General Electric ("GE") Aerospace in 1990 and to the REC Advance Agreement ("RAA"), a restructuring plan initiated after Lockheed Martin's acquisition of GE Aerospace. The RAA was initiated to close two regional electronic manufacturing centers. Restructure costs are reimbursable from the U.S. Government if savings can be demonstrated to exceed costs. The total cost of restructuring under the RFA and the RAA represented approximately 15% of the estimated savings to the U. S. Government and, therefore, a deferred asset has been recorded by Lockheed Martin. The deferred asset is being allocated to all the former GE Aerospace sites, including the Communications Systems Division, on a basis that includes manufacturing labor, overhead, and direct material less non-hardware subcontracts. As of March 31, 1997 and 1996, approximately $3,798 and $6,755, (unaudited) respectively of unamortized RFA and RAA costs are included on the Businesses' combined balance sheet in other current assets and other assets.

The carrying values of intangible assets are reviewed if the facts and circumstances indicate potential impairment of their carrying value. If this review indicates that intangible assets are not recoverable, as determined based on the undiscounted cash flows of the entity acquired

over the remaining amortization period, the Division's carrying values related to the intangible assets are reduced by the estimated shortfall of cash flows.

Research and Development and Similar Costs

Research and development costs sponsored by the Businesses include research and development and bid and proposal effort related to government products and services. These costs are generally allocated among all contracts and programs in progress under U. S. Government contractual arrangements. Customer-sponsored research and development costs incurred pursuant to contracts are accounted for as direct contract costs.

Financial Instruments

At March 31, 1997, the carrying value of the Businesses' financial instruments, such as receivables, accounts payable and accrued liabilities, approximate fair value, based on the short-term maturities of these instruments.

New Accounting Pronouncements

Effective January 1, 1996, the Businesses adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 121 establishes the accounting standards for the impairment of long-lived assets, certain intangible assets and cost in excess of net assets acquired to be held and used for long-lived assets and certain intangible assets to be disposed of. The impact of adopting SFAS 121 was not material.

Effective January 1, 1994, the Businesses adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postretirement Benefits" ("SFAS 112"). SFAS 112 requires that the costs of benefits provided to employees after employment but before retirement be recognized on an accrual basis. The adoption of SFAS 112 did not have a material impact on the combined results of operations of the Businesses.

Unaudited Financial Statements

The financial statements for the three months ended March 31, 1996 are unaudited but in the opinion of management include all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation.

3. Transactions with Lockheed Martin

The Businesses rely on Lockheed Martin for certain services, including treasury, cash management, employee benefits, taxes, risk management, internal audit, financial reporting, contract administration and general corporate services. Although certain assets, liabilities and expenses related to these services have been allocated to the Businesses, the combined financial position, results of operations and cash flows presented in the accompanying combined financial statements would not be the same as would have occurred had the Businesses been independent entities. The following describes the related party transactions.

Sales of Products

The Businesses sell products to Lockheed Martin and its affiliates, net sales of which were $21,171 and $6,425 (unaudited) for the three months ended March 31, 1997 and 1996, respectively. Included in Contracts in Process are receivables from Lockheed Martin and its affiliates of $12,392 at March 31, 1997.

Allocation of Corporate Expenses

The amount of allocated corporate expenses reflected in these combined financial statements has been estimated based primarily on an allocation methodology prescribed by government regulations pertaining to government contractors. Allocated costs to the Businesses were $5,208 and $759 (unaudited) for the three months ended March 31, 1997 and 1996, respectively.

Pensions

Certain of the Businesses participate in various Lockheed Martin-sponsored pension plans covering certain employees. Eligibility for participation in these plans varies, and benefits are generally based on members' compensation and years of service. Lockheed Martin's funding policy is generally to contribute in accordance with cost accounting standards that affect government contractors, subject to the Internal Revenue code and regulations. Since the aforementioned pension arrangements are part of certain Lockheed Martin defined benefit plans, no separate actuarial data is available for the portion allocable to the Businesses. Therefore, no liability or asset is reflected in the accompanying combined financial statements. The Businesses have been allocated pension costs based upon participant employee headcount. Pension expense included in the accompanying financial statements was $1,848 and $1,083 (unaudited) for the three months ended March 31, 1997 and 1996, respectively.

Postretirement Health Care and Life Insurance Benefits

In addition to participating in Lockheed Martin-sponsored pension plans, certain of the Businesses provide varying levels of health care and life insurance benefits for retired employees and dependents. Participants are eligible for these benefits when they retire from active service and meet the pension plan eligibility requirements. These benefits are funded primarily on a pay-as-you-go basis with the retiree generally paying a portion of the cost through contributions, deductibles and coinsurance provisions.

Since the aforementioned postretirement benefits are part of certain Lockheed Martin postretirement arrangements, no separate actuarial data is available for the portion allocable to the Businesses. Accordingly, no liability is reflected in the accompanying financial statements. The Businesses have been allocated postretirement benefits cost based on participant employee headcount. Postretirement benefit costs included in the accompanying financial statements was $616 and $529 (unaudited) for the three months ended March 31, 1997 and 1996, respectively.

Employee Savings Plans

Under various employee savings plans sponsored by Lockheed Martin, the Businesses match the contributions of participating employees up to a designated level. The extent of the match, vesting terms and the form of the matching contribution vary among the plans. Under these plans, the matching contributions, in cash, common stock or both, were $1,241 and $386 (unaudited) for the three months ended March 31, 1997 and 1996, respectively.

Stock Options

Certain employees of the Businesses participate in Lockheed Martin's stock option plans. All stock options granted have 10 year terms and vest over a two year service period. Exercise prices of options awarded in both years were equal to the market price of the stock on the date of grant. Pro Forma information regarding net earnings (loss) as required by SFAS No. 123 has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1996 and 1995, respectively: risk-free interest rates of 5.58% and 6.64%; divided yield of 1.70%; volatility factors related to the expected market price of Lockheed Martin's common stock of .186 and .216; and weighted-average expected option life of five years. The weighted average fair values of options granted during 1997 was $17.24.

For the purpose of pro forma disclosures, the options, estimated fair values are amortized to expense over the options' vesting periods. The Businesses' pro forma net loss for the three months ended March 31, 1997 was $386.

Interest Expense

Interest expense has been allocated to the Businesses by applying Lockheed Martin's weighted average consolidated interest rate to the portion of the beginning of the period invested equity account deemed to be financed by consolidated debt, which has been determined based on Lockheed Martin's debt to equity ratio on such date. Management of the Businesses believes that this allocation methodology is reasonable.

Interest expense was calculated using the following balances and interest rates:

	For the Three Months Ended March 31,	
	1997	1996
		(unaudited)
Invested Equity	$ 473,609	$ 194,663
Interest Rate	7.1%	7.4%

Income Taxes

The Businesses are included in the consolidated Federal income tax return and certain combined and separate state and local income tax returns of Lockheed Martin. However, for purposes of these financial statements, the provision for income taxes has been allocated to the Businesses based upon combined income before income taxes. Income taxes, current and deferred, are considered to have been paid or charged to Lockheed Martin and are recorded through the invested equity account with Lockheed Martin. The principal components of the deferred taxes are contract accounting methods, property, plant and equipment, goodwill amortization and timing of accruals and reserves.

Statements of Cash Flows

The Businesses participate in Lockheed Martin's cash management system, under which all cash is received and payments are made by Lockheed Martin. All transactions between the Businesses and Lockheed Martin have been accounted for as settled in cash at the time such transactions were recorded by the Businesses.

4. Contracts in Process

Billings and accumulated costs and profits on contracts, principally with the U.S. Government, comprise the following:

	March 31, 1997
Billed contract receivables	35,664
Other billed receivables, principally commercial and affiliates	42,693
Unbilled contract receivables	93,494
Inventoried costs	70,904
	242,755
Less, unliquidated progress payments	27,207
	215,548

The U.S. Government has title to, or a security interest in, inventories to which progress payments are applied. Unbilled contract receivables represent accumulated costs and profits earned but not yet billed to customers at year-end. The Businesses believe that substantially all such amounts will be billed and collected within one year.

The following data has been used in the determination of cost of sales:

	For the Three Months Ended	
	1997	1996
		(unaudited)
General and administrative costs included in inventoried costs	$ 14,536	$ 857
General and administrative costs charged to inventory	8,680	1,529
Independent research and development and bid and proposal costs charged to inventory	12,024	932

5. Property, Plant and Equipment

	March 31, 1997
Land	$ 9,200
Building and Improvements	27,000
Machinery, equipment, furniture and fixtures	75,711
Leasehold improvements	8,512
	$ 120,423

Depreciation and amortization expense was $4,529 and $1,166 (unaudited) for the three months ended March 31, 1997 and 1996, respectively. Included within property, plant and equipment is approximately $15,000 of assets held for sale which approximates fair value.

6. Income Taxes

The (benefit) provision for income taxes was calculated by applying statutory tax rates to the reported loss before income taxes after considering items that do not enter into the determination of taxable income and tax credits reflected in the consolidated provision of Lockheed Martin, which are related to the Businesses. For the three months ended March 31, 1997 and 1996, it is estimated that the (benefit) provision for deferred taxes represent $1,315 and $7 (unaudited), respectively. Substantially all the income of the Businesses are from domestic operations.

The effective income tax rate differs from the statutory Federal income tax rate for the following reasons:

	March 31, 1997	March 31, 1996 (unaudited)
Statutory Federal income tax rate	(35.0)%	(34.0)%
Amortization of cost in excess of net assets acquired	(8.1)	65.3
Research and development and other tax credits	(11.3)	
State and local income taxes, net of Federal income tax benefit and state and local income tax credits	4.8	6.3
Foreign sales corporation tax benefits	(8.4)	
Other, net	9.1	3.6
Effective income tax rate	(48.9%)	41.2%

7. Sales to Principal Customers

The Businesses operate primarily in one industry segment, electronic components and systems. Sales to principal customers are as follows:

	March 31, 1997	March 31, 1996 (unaudited)
U.S. Government Agencies	$ 128,505	$41,153
Foreign (principally foreign governments)	13,612	
Other (principally U.S. Commercial) .	16,756	
	$ 158,873	$41,153

8. Commitments and Contingencies

The Businesses lease certain facilities and equipment under agreements expiring at various dates through 2011. At March 31, 1997, future minimum payments for noncancellable operating leases with initial or remaining terms in excess of one year are $10,600 (nine months) for 1997 and 1998, $10,400 for each of the years 1999 and 2000, $10,200 and 2001, and $6,800 in total thereafter.

Leases covering major items of real estate and equipment contain renewal and or purchase options which may be exercised by the Businesses. Rent expense, net of sublease income from other Lockheed Martin entities, was $2,553 and $1,150 (unaudited) for the three months ended March 31, 1997 and 1996, respectively.

Management is continually assessing the Businesses' obligations with respect to applicable environmental protection laws. While it is difficult to determine the timing and ultimate cost to be incurred by the Businesses in order to comply with these laws, based upon available internal and external assessments, with respect to those environmental loss contingencies of which management of the Businesses is aware, the Businesses believe that even without considering potential insurance recoveries, if any, there are no environmental loss contingencies that, individually or in the aggregate, would be material to the Businesses' results of operations. The Businesses accrue for these contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The Businesses are engaged in providing products and services under contracts with the U.S. Government and to a lesser degree, under foreign government contracts, some of which are funded by the U.S. Government. All such contracts are subject to extensive legal and regulatory requirements, and, from time to time, agencies of the U.S. Government investigate whether such contracts were and are being conducted in accordance with these requirements. Under government procurement regulations, an

indictment of the Businesses by a federal grand jury could result in the Businesses being suspended for a period of time from eligibility for awards of new government contracts. A conviction could result in debarment from contracting with the federal government for a specified term.

The Businesses are periodically subject to litigation, claims or assessments and various contingent liabilities (including environmental matters) incidental to their business. With respect to those investigative actions, items of litigation, claims or assessments of which they are aware, management of the Businesses is of the opinion that the probability is remote that, after taking into account certain provisions that have been made with respect to these matters, the ultimate resolution of any such investigative actions, items of litigation, claims or assessments will have a material adverse effect on the combined financial position or results of operations of the Businesses.

COMBINED FINANCIAL STATEMENTS

As of December 31, 1996 and 1995 and for the three years in the period ended December 31, 1996

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Lockheed Martin Corporation:

We have audited the accompanying combined balance sheet of the Lockheed Martin Predecessor Businesses, as defined in Note 1 to the financial statements, (the "Businesses") as of December 31, 1996 and the related combined statements of operations and changes in invested equity and cash flows for the year then ended. These financial statements are the responsibility of the Businesses' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Lockheed Martin Communications Systems Division, which statements reflect total assets and sales constituting 35 percent and 30 percent of the related combined totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Communications Systems Division, is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the combined financial position of the Lockheed Martin Predecessor Businesses as of December 31, 1996 and their combined results of operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

/s/ Coopers & Lybrand L.L.P.

1301 Avenue of the Americas
New York, New York 10019
March 20, 1997

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Lockheed Martin Corporation:

We have audited the combined balance sheets of Lockheed Martin Communications Systems Division, as defined in Note 1 to the financial statements, as of December 31, 1996 and 1995, and the related combined statements of operations and changes in invested equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Division's and Lockheed Martin Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Lockheed Martin Communications Systems Division at December 31, 1996 (not presented separately herein) and 1995, and the combined results of its operations and its cash flows for the year ended December 31, 1996 (not presented separately herein), and the results of its operations and its cash flows for each of the two years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Washington, D.C.
March 7, 1997

LOCKHEED MARTIN PREDECESSOR BUSINESSES

COMBINED BALANCE SHEETS
(In thousands)

	Years Ended December 31, 1996	1995
ASSETS		
Current assets:		
Contracts in process	$ 198,073	$ 42,457
Other current assets	3,661	3,100
Total current assets	201,734	45,557
Property, plant and equipment	116,566	31,657
Less, accumulated depreciation and amortization	24,983	15,018
	91,583	16,639
Intangibles, primarily cost in excess of net assets acquired, net of amortization	282,674	157,560
Other assets	17,307	8,753
	$ 593,298	$ 228,509
LIABILITIES AND INVESTED EQUITY		
Current liabilities:		
Accounts payable, trade	$ 34,163	$ 9,583
Accrued employment costs	27,313	6,534
Customer advances and amounts in excess of costs incurred	14,299	1,363
Other current liabilities	27,113	6,983
Total current liabilities	102,888	24,463
Other liabilities	16,801	9,383
Commitments and contingencies (Note 8)		
Invested equity	473,609	194,663
	$ 593,298	$ 228,509

See notes to combined financial statements.

LOCKHEED MARTIN PREDECESSOR BUSINESSES

COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN INVESTED EQUITY
(In thousands)

	Years Ended December 31,		
	1996	1995	1994
Sales	$ 543,081	$ 166,781	$ 218,845
Cost of sales	499,390	162,132	210,466
Operating income	43,691	4,649	8,379
Allocated interest expense	24,197	4,475	5,450
Earnings before income taxes	19,494	174	2,929
Income tax expense	7,798	1,186	2,293
Net earnings (loss)	11,696	(1,012)	636
Invested equity--beginning of year	194,663	199,506	216,943
Advances from (repayments to) Lockheed Martin	267,250	(3,831)	(18,073)
Invested equity -- end of year	$ 473,609	$ 194,663	$ 199,506

See notes to combined financial statements.

LOCKHEED MARTIN PREDECESSOR BUSINESSES

COMBINED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,		
	1996	1995	1994
Operating activities:			
Net earnings (loss)	$ 11,696	$(1,012)	$ 636
Depreciation and amortization	25,039	11,578	11,467
Loss (gain) on disposition of property, plant and equipment	265	26	(1,078)
Changes in operating assets and liabilities			
Contracts in process	26,103	(3,267)	14,002
Other current assets	489	788	1,502
Other assets	(5,246)	1,245	2,044
Accounts payable	3,198	(648)	(3,099)
Accrued employment costs	2,282	(611)	(528)
Customer advances and amounts in excess of costs incurred	(11,586)	(2,041)	917
Other current liabilities	4,086	4,004	(3,304)
Other liabilities	(25,327)	(699)	(751)
Net cash from operating activities	30,999	9,363	21,808
Investing activities:			
Acquisition of business	(287,803)	--	--
Capital expenditures	(13,528)	(5,532)	(3,735)
Disposition of property, plant and equipment	3,082	--	--
Net cash used in investing activities	(298,249)	(5,532)	(3,735)
Financing activities:			
Advances from (repayments to) Lockheed Martin	267,250	(3,831)	(18,073)
Net change in cash	--	--	--

See notes to combined financial statements.

LOCKHEED MARTIN PREDECESSOR BUSINESSES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 1996
(Dollars in thousands)

1. Background and Description of Businesses

On January 31, 1997, Lockheed Martin Corporation ("Lockheed Martin"), Lehman Brothers Holdings Inc. ("Lehman"), Frank C. Lanza ("Lanza") and Robert V. LaPenta ("LaPenta") entered into a Memorandum of Understanding regarding the transfer of certain businesses of Lockheed Martin to a newly formed corporation ("Newco") to be owned by Lockheed Martin, Lehman, Lanza and LaPenta. The businesses proposed to be transferred include Lockheed Martin's Wideband Systems Division, Communications Systems Division and Products Group, comprising eleven autonomous operations (collectively the "Lockheed Martin Predecessor Businesses" or the "Businesses"). Also included in the transaction is the acquisition of a semiconductor product line of another business and certain leasehold improvements in New York City.

Effective April 1, 1996, Lockheed Martin acquired substantially all the assets and liabilities of the defense businesses of Loral Corporation (Loral), including the Wideband Systems Division and the Products Group. The acquisition of the Wideband Systems Division and Products Group businesses (the "Acquired Businesses") has been accounted for as a purchase by Lockheed Martin Communications Systems Division ("Division"). The acquisition has been reflected in these financial statements based on the purchase price allocated to those acquired businesses by Lockheed Martin. As such, the accompanying combined financial statements reflect the results of operations of the Division and the Acquired Businesses from the effective date of acquisition including the effects of an allocated portion of cost in excess of net assets acquired resulting from the acquisition. The assets and liabilities recorded in connection with the purchase price allocation were $400,993 and $113,190, respectively.

Had the acquisition of Wideband Systems Division and the Products Group occurred on January 1, 1995, the unaudited pro forma sales and net income for the years ending December 31, 1996 and 1995 would have been $675,281 and $12,638, and $691,136 and $4,790, respectively. The pro forma results, which are based on various assumptions, are not necessarily indicative of what would have occurred had the acquisition been consummated on January 1, 1995.

The Businesses are suppliers of sophisticated secure communication systems and specialized communication products including secure, high data rate communication systems, commercial fixed wireless communication products, microwave components, avionic displays and recorders and instrument products. The Company's customers included the Department of Defense, selected U.S. government intelligence agencies, major aerospace/defense prime contractors and commercial customers. The Businesses operate primarily in one industry segment, electronic components and systems.

Substantially all the Businesses' products are sold to agencies of the U.S. Government, primarily the Department of Defense, to foreign

government agencies or to prime contractors or subcontractors thereof. All domestic government contracts and subcontracts of the Businesses are subject to audit and various cost controls, and include standard provisions for termination for the convenience of the U.S. Government. Multi-year U.S. Government contracts and related orders are subject to cancellation if funds for contract performance for any subsequent year become unavailable. Foreign government contracts generally include comparable provisions relating to termination for the convenience of the government.

The decline in the U.S. defense budget since the mid 1980s has resulted in program delays, cancellations and scope reduction for defense contracts in general. These events may or may not have an effect on the Businesses' programs; however, in the event that U.S. Government expenditures for products of the type manufactured by the Businesses are reduced, and not offset by greater commercial sales or other new programs or products, or acquisitions, there may be a reduction in the volume of contracts or subcontracts awarded to the Businesses.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying combined financial statements reflect the Businesses' assets, liabilities and operations included in Lockheed Martin's historical financial statements that will be transferred to Newco. Intercompany accounts between Lockheed Martin and the Businesses have been included in invested equity. Significant inter-business transactions and balances have been eliminated. The assets and operations of the semiconductor product line and certain other facilities, which are not material to the combined financial statements, have been excluded from the combined financial statements.

The preparation of financial statements in conformity with generally accepted accounting principles requires the Businesses' management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates and assumptions relate to contract estimates of sales and costs, allocations from Lockheed Martin, recoverability of recorded amounts of fixed assets and cost in excess of net assets acquired, litigation and environmental obligations. Actual results could differ from these estimates.

Sales and Earnings

Sales and profits on cost reimbursable contracts are recognized as costs are incurred. Sales and estimated profits under long-term contracts are recognized under the percentage of completion method of accounting using the cost-to-cost method. Amounts representing contract change orders or claims are included in sales only when they can be reliably estimated and realization is probable. Sales under short-term production-type contracts are recorded as units are shipped; profits applicable to such shipments are recorded pro rata, based upon estimated total profit at completion of the contract. Amounts representing contract change orders or

claims are included in sales only when they can be reliably estimated and realization is probable. Losses on contracts are recognized when determined. Revisions in profit estimates are reflected in the period in which the facts which require the revision become known.

Contracts In Process

Costs accumulated under long-term contracts include direct costs, as well as manufacturing overhead, and for government contracts, general and administrative costs, independent research and development costs and bid and proposal costs. Contracts in process contain amounts relating to contracts and programs for which the related operating cycles are longer that one year. In accordance with industry practice, these amounts are included in current assets.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided primarily using an accelerated method over the estimated useful lives (5 to 20 years) of the related assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements.

Intangibles

Intangibles, primarily the excess of the cost of purchased businesses over the fair value of the net assets acquired, is being amortized using a straight-line method primarily over a 40-year period. Other intangibles are amortized over their estimated useful lives which range from 11-15 years. Amortization expense was $10,115, $6,086 and $6,086 for 1996, 1995 and 1994, respectively. Accumulated amortization was $26,524 and $16,738 at December 31, 1996 and 1995, respectively.

Intangibles include costs allocated to the Businesses relating to the Request for Funding Authorization ("RFA"), consisting of over 20 restructuring projects to reduce operating costs, initiated by General Electric ("GE") Aerospace in 1990 and to the REC Advance Agreement ("RAA"), a restructuring plan initiated after Lockheed Martin's acquisition of GE Aerospace. The RAA was initiated to close two regional electronic manufacturing centers. Restructure costs are reimbursable from the U.S. Government if savings can be demonstrated to exceed costs. The total cost of restructuring under the RFA and the RAA represented approximately 15% of the estimated savings to the U.S. Government and, therefore, a deferred asset has been recorded by Lockheed Martin. The deferred asset is being allocated to all the former GE Aerospace sites, including the Communications Systems Division, on a basis that includes manufacturing labor, overhead, and direct material less non-hardware subcontracts. As of December 31, 1996 and 1995, approximately $4,400 and $7,500, respectively of unamortized RFA and RAA costs are incurred on the Businesses' combined balance sheet in other current assets and other assets.

The carrying values of intangible assets are reviewed if the facts and circumstances indicate potential impairment of their carrying value. If this review indicates that intangible assets are not recoverable, as determined based on the undiscounted cash flows of the entity acquired over the remaining amortization period, the Division's carrying values related to the intangible assets are reduced by the estimated shortfall of cash flows.

Research and Development and Similar Costs

Research and development costs sponsored by the Businesses include research and development and bid and proposal effort related to government products and services. These costs generally are allocated among all contracts and programs in progress under U.S. Government contractual arrangements. Customer-sponsored research and development costs incurred pursuant to contracts are accounted for as direct contract costs.

Financial Instruments

At December 31, 1996, the carrying value of the Businesses' financial instruments, such as receivables, accounts payable and accrued liabilities, approximate fair value, based on the short-term maturities of these instruments.

New Accounting Pronouncements

Effective January 1, 1996, the Businesses adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 121 establishes the accounting standards for the impairment of long-lived assets, certain intangible assets and cost in excess of net assets acquired to be held and used for long-lived assets and certain intangible assets to be disposed of. The impact of adopting SFAS 121 was not material.

Effective January 1, 1994, the Businesses adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postretirement Benefits" ("SFAS 112"). SFAS 112 requires that the costs of benefits provided to employees after employment but before retirement be recognized on an accrual basis. The adoption of SFAS 112 did not have a material impact on the combined results of operations of the Businesses.

3. Transactions with Lockheed Martin

The Businesses rely on Lockheed Martin for certain services, including treasury, cash management, employee benefits, taxes, risk management, internal audit, financial reporting, contract administration and general corporate services. Although certain assets, liabilities and expenses related to these services have been allocated to the Businesses, the combined financial position, results of operations and cash flows presented in the accompanying combined financial statements would not be the same as would have occurred had the Businesses been independent entities. The following describes the related party transactions.

Sales of Products

The Businesses sell products to Lockheed Martin and its affiliates, net sales for which were $70,658, $25,874, and $9,983 in 1996, 1995 and 1994, respectively. Included in Contracts in Process are receivables from Lockheed Martin and its affiliates of $10,924 and $30 at December 31, 1996 and 1995, respectively.

Allocation of Corporate Expenses

The amount of allocated corporate expenses reflected in these combined financial statements has been estimated based primarily on an allocation methodology prescribed by government regulations pertaining to government contractors. Allocated costs to the Businesses were $10,057, $2,964 and $4,141 in 1996, 1995 and 1994, respectively.

Pensions

Certain of the Businesses participate in various Lockheed Martin-sponsored pension plans covering certain employees. Eligibility for participation in these plans varies, and benefits are generally based on members' compensation and years of service. Lockheed Martin's funding policy is generally to contribute in accordance with cost accounting standards that affect government contractors, subject to the Internal Revenue code and regulations. Since the aforementioned pension arrangements are part of certain Lockheed Martin defined benefit plans, no separate actuarial data is available for the portion allocable to the Businesses. Therefore, no liability or asset is reflected in the accompanying combined financial statements. The Businesses have been allocated pension costs based upon participant employee headcount. Net pension expense included in the accompanying financial statements was $7,027, $4,134 and $3,675 in 1996, 1995 and 1994, respectively.

Postretirement Health Care and Life Insurance Benefits

In addition to participating in Lockheed Martin-sponsored pension plans, certain of the Businesses provide varying levels of health care and life insurance benefits for retired employees and dependents. Participants are eligible for these benefits when they retire from active service and meet the pension plan eligibility requirements. These benefits are funded primarily on a pay-as-you-go basis with the retiree generally paying a portion of the cost through contributions, deductibles and coinsurance provisions. Since the aforementioned postretirement benefits are part of certain Lockheed Martin postretirement arrangements, no separate actuarial data is available for the portion allocable to the Businesses. Accordingly, no liability is reflected in the accompanying financial statements. The Businesses have been allocated postretirement benefits cost based on participant employee headcount. Postretirement benefit costs included in the accompanying financial statements were $2,787, $2,124 and $1,694 in 1996, 1995 and 1994, respectively.

Employee Savings Plan

Under various employee savings plans sponsored by Lockheed Martin, the Businesses match the contributions of participating employees up to a designated level. The extent of the match, vesting terms and the form of the matching contribution vary among the plans. Under these plans, the matching contributions, in cash, common stock or both, for 1996, 1995 and 1994 were $3,940, $1,478 and $1,842, respectively.

Stock Options

During 1996 and 1995, certain employees of the Businesses participated in Lockheed Martin's stock option plans. All stock options granted in 1996 and 1995 have 10 year terms and vest over a two year service period. Exercise prices of options awarded in both years were equal to the market price of the stock on the date of grant. Pro forma information regarding net earnings (loss) as required by SFAS No. 123 has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1996 and 1995, respectively: risk-free interest rates of 5.58% and 6.64%; dividend yield of 1.70%; volatility factors related to the expected market price of the Lockheed Martin's common stock of .186 and .216; and weighted-average expected option life of five years. The weighted average fair values of options granted during 1996 and 1995 were $17.24 and $16.09, respectively.

For the purposes of pro forma disclosures, the options' estimated fair values are amortized to expense over the options' vesting periods. The Businesses' pro forma net earnings (loss) for 1996 and 1995 were $11,531 and $(1,040), respectively.

Interest Expense

Interest expense has been allocated to the Businesses by applying Lockheed Martin's weighted average consolidated interest rate to the portion of the beginning of the period invested equity account deemed to be financed by consolidated debt, which has been determined based on Lockheed Martin's debt to equity ratio on such date, except that the acquisition of the defense business of Loral Corporation ("Loral") has been assumed to be fully financed by debt.

Interest expense was calculated using the following balances and interest rates:

(Dollars in thousands)

	Years Ended December 31,		
	1996	1995	1994
Invested Equity:			
Communications Systems Division	$ 194,663	$ 199,506	$ 216,943
Wideband Systems Division and Products Group	$ 287,803	--	--
Interest Rate	7.20%	7.40%	7.23%

Income Taxes

The Businesses are included in the consolidated Federal income tax return and certain combined and separate state and local income tax returns of Lockheed Martin. However, for purposes of these financial statements, the provision for income taxes has been allocated to the Businesses based upon reported combined income before income taxes. Income taxes, current and deferred, are considered to have been paid or charged to Lockheed Martin and are recorded through the invested equity account with Lockheed Martin. The principal components of the deferred taxes are contract accounting methods, property, plant and equipment, goodwill amortization and timing of actuals.

Statements of Cash Flows

The Businesses participate in Lockheed Martin's cash management system, under which all cash is received and payments are made by Lockheed Martin. All transactions between the Businesses and Lockheed Martin have been accounted for as settled in cash at the time such transactions were recorded by the Businesses.

4. Contracts in Process

Billings and accumulated costs and profits on contracts, principally with the U.S. Government, comprise the following:

(Dollars in thousands)

	Years Ended December 31,	
	1996	1995
Billed contract receivables	$ 40,299	$10,237
Other billed receivables, principally commercial	41,154	--
Unbilled contract receivables	91,053	23,643
Inventoried costs	61,380	10,830
	233,886	44,710
Less, unliquidated progress payments	(35,813)	(2,253)
	$ 198,073	$42,457

The U.S. Government has title to, or a security interest in, inventories to which progress payments are applied. Unbilled contract receivables represent accumulated costs and profits earned but not yet billed to customers at year-end. The Businesses believe that substantially all such amounts will be billed and collected within one year.

The following data has been used in the determination of cost of sales:

	Years Ended December 31,		
	1996	1995	1994
General and administrative costs included in inventoried costs	$ 14,700	$ 1,156	$ 493
General and administrative costs charged to inventory	$ 25,400	$ 3,967	$ 3,640
Independent research and development and bid and proposal costs incurred	$ 36,500	$ 9,800	$10,640

(Dollars in thousands)

5. Property, Plant and Equipment

	December 31, 1996	December 31, 1995
Land	$ 9,200	--
Buildings and Improvements	27,000	--
Machinery, equipment, furniture and fixtures	73,137	$29,216
Leasehold improvements	7,229	2,441
	$ 116,566	$31,657

Depreciation and amortization expense in 1996, 1995 and 1994 was $14,924, $5,492 and $5,381, respectively.

6. Income Taxes

The provision for income taxes was calculated by applying statutory tax rates to the reported pretax income after considering items that do not enter into the determination of taxable income and tax credits reflected in the consolidated provision of Lockheed Martin, which are related to the Businesses. For the years ended December 31, 1996, 1995 and 1994, it is estimated that the provision for deferred taxes represent ($2,143), $3,994 and $1,252, respectively. Substantially all the income of the Businesses are from domestic operations.

(Dollars in thousands)

The effective income tax rate differs from the statutory Federal income tax rate for the following reasons:

	Years Ended December 31,		
	1996	1995	1994
Statutory Federal income tax rate	35%	34%	34%
Amortization of cost in excess of net assets acquired	2	529	31
Research and development and other tax credits	(2)	--	--
State and local income taxes, net of Federal income tax benefit and state and local income tax credits	6	101	12
Foreign sales corporation tax benefit	(1)	--	--
Other, net	--	17	1
	--	---	--
Effective income tax rate	40%	681%	78%
	==	===	==

(Dollars in thousands)

7. Sales to Principal Customers

The Business operate primarily in one industry segment, communication systems and products. Sales to principal customers are as follows:

	Years Ended December 31,		
	1996	1995	1994
U.S. Government Agencies	$425,033	$161,617	$216,084
Foreign (principally foreign governments)	33,475	4,945	1,623
Other (principally commercial)	84,573	219	1,138
	$543,081	$166,781	$218,845

8. Commitments and Contingencies

The Businesses lease certain facilities and equipment under agreements expiring at various dates through 2011. At December 31, 1996, future minimum payments for noncancellable operating leases with initial or remaining terms in excess of one year are $11,400 for each of the years 1997 through 2001, and $12,300 in total thereafter.

Leases covering major items of real estate and equipment contain renewal and/or purchase options which may be exercised by the Businesses. Rent expense, net of sublease income from other Lockheed Martin entities, was $8,495, $4,772 and $5,597 in 1996, 1995 and 1994, respectively.

Management is continually assessing the Businesses' obligations with respect to applicable environmental protection laws. While it is difficult to determine the timing and ultimate cost to be incurred by the Businesses in order to comply with these laws, based upon available internal and external assessments, with respect to those environmental loss contingencies of which management of the Businesses is aware, the Businesses believe that even without considering potential insurance recoveries, if any, there are no environmental loss contingencies that, individually or in the aggregate, would be material to the Businesses' results of operations. The Businesses accrue for these contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The Businesses are engaged in providing products and services under contracts with the U.S. Government and to a lesser degree under foreign government contracts, some of which are funded by the U.S. Government. All such contracts are subject to extensive legal and regulatory requirements, and, from time to time, agencies of the U.S. Government investigate whether such contracts were and are being conducted in accordance with these requirements. Under government procurement regulations, an indictment of the Businesses by a federal grand jury could result in the Businesses being suspended for a period of time from eligibility for awards of new government contracts. A conviction could result in debarment from contracting with the federal government for a specified term.

The Businesses are periodically subject to litigation, claims or assessments and various contingent liabilities (including environmental matters) incidental to its business. With respect to those investigative actions, items of litigation, claims or assessments of which they are aware, management of the Businesses is of the opinion that the probability is remote that, after taking into account certain provisions that have been made with respect to these matters, the ultimate resolution of any such investigative actions, items of litigation, claims or assessments will have a material adverse effect on the financial position or results of operations of the Businesses.

REPORT OF INDEPENDENT AUDITORS

Board of Directors of
Lockheed Martin Corporation:

We have audited the accompanying combined statements of operations and cash flows for the Loral Acquired Businesses as defined in Note 1, (the "Businesses") for the three months ended March 31, 1996 and the years ended December 31, 1995 and 1994. These financial statements are the responsibility of the Businesses' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined results of the operations and cash flows of the Businesses for the three months ended March 31, 1996 and the years ended December 31, 1995 and 1994, in conformity with generally accepted accounting principles.

/s/ Coopers & Lybrand L.L.P.

1301 Avenue of the Americas
New York, New York 10019
March 20, 1997

LORAL ACQUIRED BUSINESSES

COMBINED STATEMENTS OF OPERATIONS
(In thousands)

	Three Months Ended March 31, 1996	Years Ended December 31, 1995	1994
Sales	$132,200	$448,165	$283,129
Cost and expenses	124,426	424,899	273,181
Operating income	7,774	23,266	9,948
Allocated interest expense	4,365	20,799	8,375
Income before income taxes	3,409	2,467	1,573
Income taxes	1,292	854	560
Net income	$ 2,117	$ 1,613	$ 1,013

See notes to combined financial statements.

LORAL ACQUIRED BUSINESSES

COMBINED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31, 1996	Years Ended December 31, 1995	1994
Operating Activities:			
Net Income	$ 2,117	$ 1,613	$ 1,013
Depreciation and amortization	5,011	20,625	15,952
Changes in operating assets and liabilities			
Contracts in process	(11,382)	7,327	4,499
Other current assets	(3,436)	890	(156)
Other assets	2,437	6,736	(3,633)
Accounts payable and accrued liabilities	4,525	(4,533)	(3,944)
Other current liabilities	3,348	4,428	(3,150)
Other liabilities	(452)	117	(415)
Net cash from operating activities	2,168	37,203	10,166
Investing activities:			
Acquisition of business	--	(214,927)	--
Capital expenditures	(3,962)	(12,683)	(7,390)
Disposition of property, plant and equipment	187	4,342	144
	(3,775)	(223,268)	(7,246)
Financing activities:			
Advances from (repayments to) Loral	1,607	186,065	(2,920)
Net change in cash	--	--	--

See notes to combined financial statements.

LORAL ACQUIRED BUSINESSES

NOTES TO COMBINED FINANCIAL STATEMENTS
(Dollars in thousands)

1. Background and Description of Business

On January 31, 1997, Lockheed Martin Corporation ("Lockheed Martin"), Lehman Brothers Holdings Inc. ("Lehman"), Frank C. Lanza ("Lanza") and Robert V. LaPenta ("LaPenta") entered into a Memorandum of Understanding ("MOU") regarding the transfer of certain businesses of Lockheed Martin to a newly formed corporation ("Newco") to be owned by Lockheed Martin, Lehman, Lanza and LaPenta. The businesses proposed to be transferred (the "Loral Acquired Businesses" or "Businesses") include Lockheed Martin's Wideband Systems Division and the Products Group, comprised of ten autonomous operations, all of which were acquired by Lockheed Martin effective April 1, 1996 as part of the acquisition by Lockheed Martin of the defense electronics business of Loral Corporation ("Loral"). Also included in the transaction is the acquisition of a semiconductor product line of another business and certain leasehold improvements in New York City.

The Businesses are leading suppliers of sophisticated secure communication systems, microwave communication components, avionic and instrumentation products and other products and services to major aerospace and defense contractors as well as the U.S. Government. The Businesses operate primarily in one industry segment, communication systems and products.

Substantially all the Business' products are sold to agencies of the United States Government, primarily the Department of Defense, to foreign government agencies or to prime contractors or subcontractors thereof. All domestic government contracts and subcontracts of the Businesses are subject to audit, various cost controls and include standard provisions for termination for the convenience of the government. Multi-year government contracts and related orders are subject to cancellation if funds for contract performance for any subsequent year become unavailable. Foreign government contracts generally include comparable provisions relating to termination for the convenience of the government.

The decline in the U.S. defense budget since the mid 1980s has resulted in program delays, cancellations and scope reductions for defense contractors in general. These events may or may not have an effect on the Businesses' programs; however, in the event that expenditures for products of the type manufactured by the Businesses are reduced, and not offset by greater foreign sales or other new programs or products, or acquisitions, there may be a reduction in the volume of contracts or subcontracts awarded to the Businesses.

The Businesses' operations, as presented herein, include allocations and estimates of certain expenses of Loral based upon estimates of services performed by Loral that management of the Businesses believe are reasonable. Such services include treasury, cash management, employee benefits, taxes, risk management, internal audit and general corporate services. Accordingly, the results of operations and cash flows as presented herein may not be the same as would have occurred had the Businesses been independent entities.

2. Basis of Presentation

Basis of Combination

The accompanying combined financial statements reflect the Businesses' assets, liabilities and operations included in Loral Corporation's historical financial statements that will be transferred to Newco. All significant intercompany transactions and amounts have been eliminated. The combined financial statements do not include the operations of telecommunications switch product line which will not be transferred and was exited in 1995. Also, the assets and operations of the semiconductor product line and certain other facilities which are not material to the Businesses have been excluded from the financial statements.

Allocation of Corporate Expenses

The amount of corporate office expenses reflected in these financial statements has been estimated based primarily on the allocation methodology prescribed by government regulations pertaining to government contractors, which management of the Businesses believes to be a reasonable allocation method.

Income Taxes

The Businesses were included in the consolidated Federal income tax return and certain combined and separate state and local income tax returns of Loral. However, for the purposes of these financial statements, the provision for income taxes was allocated based upon reported income before income taxes. Such provision was recorded through the advances from (repayments to) Loral account.

Interest Expense

Interest expense has been allocated to the Businesses by applying Loral's weighted average consolidated interest rate to the portion of the beginning of the period invested equity account deemed to be financed by consolidated debt, which amount has been determined based on the Loral's debt to equity ratio on such date, except that the acquisition of Wideband Systems has been assumed to be fully financed by debt.

Statements of Cash Flows

The Businesses participated in Loral's cash management system, under which all cash was received and payments made by Loral. All transactions between the Businesses and Loral have been accounted for as settled in cash on the date such transactions were recorded by the Businesses.

3. Summary of Significant Accounting Policies

Contracts In Process

Sales on long-term production-type contracts are recorded as units are shipped; profits applicable to such shipments are recorded pro rata, based upon estimated total profit at completion of the contract. Sales and profits on cost reimbursable contracts are recognized as costs are incurred. Sales and estimated profits under other long-term contracts are recognized under the percentage of completion method of accounting using the cost-to-cost method. Amounts representing contract change orders or claims are included in sales only when they can be reliably estimated and realization is probable. Incentive fees and award fees enter into the determination of contract profits when they can be reliably estimated.

Costs accumulated under long-term contracts include direct costs as well as manufacturing, overhead, and for government contracts, general and administrative, independent research and development and bid and proposal costs. Losses on contracts are recognized when determined. Revisions in profit estimates are reflected in the period in which the facts which require the revision become known.

Depreciation and Amortization

Depreciation is provided primarily on the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements. The excess of the cost of purchased businesses over the fair value of the net assets acquired is being amortized using a straight-line method generally over a 40-year period.

The carrying amount of cost in excess of net assets acquired is evaluated on a recurring basis. Current and future profitability as well as current and future undiscounted cash flows, excluding financing costs, of the underlying businesses are primary indicators of recoverability. There were no adjustments to the carrying amount of cost in excess of net assets acquired resulting from these evaluations during the periods presented.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Businesses' management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates and assumptions relate to contract estimates of sales and costs, cost allocations from Loral, including interest and income taxes, recoverability of recorded amounts of fixed assets and cost in excess of net assets acquired, litigation and environmental obligations. Actual results could differ from these estimates.

New Accounting Pronouncements

Effective January 1, 1996, the Businesses adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 121 establishes the accounting standards for the impairment of long-lived assets, certain intangible assets and cost in excess of net assets and certain intangible assets to be disposed of. The impact of adopting SFAS 121 was not material.

Effective January 1, 1994, the Businesses adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" ("SFAS 112"). SFAS 112 requires that the costs of benefits provided to employees after employment but before retirement be recognized on an accrual basis. The adoption of SFAS 112 did not have a material impact on the results of operations of the Businesses.

4. Acquisitions

Effective May 1, 1995, Loral acquired substantially all the assets and liabilities of the Defense Systems operations of Unisys Corporation, which included the Wideband Systems Division. The acquisition has been accounted for as a purchase. As such, the accompanying combined financial statements reflect the results of operations of the Wideband Systems Division from the effective date of acquisition, including the amortization of an allocated portion of cost in excess of net assets acquired resulting from the acquisition. Such allocation was based on the sales and profitability of the Wideband Systems Divisions relative to the aggregate sales and profitability of the defense systems operations acquired by Loral. The assets and liabilities recorded in connection with the purchase price allocation were $240,525 and $25,598, respectively.

Had the acquisition of the Wideband Systems Division occurred on January 1, 1994, the unaudited pro forma sales and net income (loss) for the years ending December 31, 1995 and 1994 would have been $524,355 and $700, and $504,780 and ($963), respectively. The results, which are based on various assumptions, are not necessarily indicative of what would have occurred had the acquisition been consummated as of January 1, 1994.

(Dollars in thousands)

5. Operating Expenses

The following expenses have been included in the statements of operations:

	Three Months Ended March 31, 1996	Years Ended December 31, 1995	1994
General and administrative expenses	$23,558	$90,757	$74,205
Independent research and development, and bid and proposal costs	$ 5,587	$21,370	$19,491

6. Income Taxes

The provision for income taxes was calculated by applying Loral's statutory tax rates to the reported pre-tax book income after considering items that do not enter into the determination of taxable income and tax credits reflected in the consolidated provision which are related to the Businesses. It is estimated that deferred income taxes represent approximately $714,000, $2,857,000 and $4,060,000 of the provisions for income taxes reflected in these financial statements for the three months ended March 31, 1996 and the years ended December 31, 1995 and 1994. The principal components of deferred income taxes are contract accounting methods, property plant and equipment, goodwill amortization, and timing of accruals. Substantially all of the Businesses' income is from domestic operations.

(Dollars in thousands)

The following is a reconciliation of the statutory rate to the effective tax rates reflected in the financial statements:

	Years Ended December 31,		
	1996	1995	1994
Statutory Federal income tax rate	35.0%	35.0%	35.0%
Research and development and other tax credits	--	(18.6)	(43.4)
State and local income taxes, net of Federal income tax benefit and state and local income tax credits	3.9	(.3)	(15.5)
Foreign sales corporation tax benefit	(2.2)	(3.0)	(13.6)
Amortization of goodwill	6.3	35.1	55.0
Other, net	(5.1)	(13.6)	18.1
Effective income tax rate	37.9%	34.6%	35.6%

7. Interest Expense

Interest expense was calculated using the following balances and interest rates:

	Three Months Ended	Years Ended December 31,	
	March 31, 1996	1995	1994
Invested Equity	$453,062	$265,384	$267,291
Interest Rate	7.40%	7.87%	6.56%
Wideband Systems Allocated Purchase Price	--	$214,927	--
Interest Rate	--	7.40%	--

8. Commitments and Contingencies

The Businesses lease certain facilities and equipment under agreements expiring at various dates through 2011. Leases covering major items of real estate and equipment contain renewal and/or purchase options which may be exercised by the Businesses. Rent expense for the three months ended March 31, 1996 was $1,063. Rent expense for the years ended December 31, 1995 and 1994 was $4,276 and $4,027, respectively.

Management is continually assessing its obligations with respect to applicable environmental protection laws. While it is difficult to determine the timing and ultimate cost to be incurred by the Businesses in order to comply with these laws, based upon available internal and external assessments, the Businesses believe that even without considering potential insurance recoveries, if any, there are no environmental loss contingencies that, individually or in the aggregate, would be material to the Businesses' operations. The Businesses accrue for these contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The Businesses believe that it has adequately accrued for future expenditures in connection with environmental matters and that such expenditures will not have a material adverse effect on its financial position or results of operations.

There are a number of lawsuits or claims pending against the Businesses and incidental to its business. However, in the opinion of management, the ultimate liability on these matters, if any, will not have a material adverse effect on the financial position or results of operations of the Businesses.

9. Pensions and Other Employee Benefits

Pensions

The Businesses participate in various Loral-sponsored pension plans both contributory and non-contributory covering certain employees. Eligibility for participation in these plans varies, and benefits are generally based on members' compensation and years of service. Loral's funding policy was generally to contribute in accordance with cost accounting standards that affect government contractors, subject to the Internal Revenue code and regulations thereon. Since the aforementioned pension arrangements were part of certain Loral defined benefit or defined contribution plans, no separate actuarial data was available for the Businesses. The Businesses have been allocated their share of pension costs based upon participation employee headcount. Net pension expense, which approximates the amount funded, included in the accompanying financial statements was $1,234, $4,391 and $3,150 for the three months ended March 31, 1996 and the years ended December 31, 1995 and 1994, respectively.

Postretirement Health Care and Life Insurance Benefits

In addition to participating in Loral-sponsored pension plans, the Businesses provide certain health care and life insurance benefits for retired employees and dependents at certain locations. Participants are eligible for these benefits when they retire from active service and meet the pension plan eligibility requirements. These benefits are funded primarily on a pay-as-you-go basis with the retiree generally paying a portion of the cost through contributions, deductibles and coinsurance provisions. Since the aforementioned postretirement benefits were part of certain Loral postretirement arrangements, no separate actuarial data is available for the Businesses. The Businesses have been allocated postretirement benefit costs based upon participant employee headcount. Postretirement benefit costs included in the accompanying financial statements were $402, $1,646 and $1,682 for the three months ended March 31, 1996 and the years ended December 31, 1995 and 1994, respectively.

Employee Savings Plans

Under various employee savings plans sponsored by Loral, the Businesses matched the contributions of participating employees up to a designated level. The extent of the match, vesting terms and the form of the matching contribution vary among the plans. Under these plans, the matching contributions, in cash, common stock or both, for the three months ended March 31, 1996 and the years ended December 31, 1995 and 1994 were $634, $1,879 and $1,844, respectively.

(Dollars in thousands)

10. Sales to Principal Customers

The Businesses operate primarily in one industry segment, electronic components and systems. Sales to principal customers are as follows:

	Three Months Ended March 31, 1996	Years Ended December 31, 1995	1994
U.S. Government Agencies	$ 94,993	$328,476	$160,068
Foreign (principally foreign governments)	16,838	62,549	65,883
Other (principally commercial)	20,369	57,140	57,178
	$132,200	$448,165	$283,129

(Dollars in thousands)

Foreign sales comprise the following:

	Three Months Ended March 31, 1996	Years Ended December 31, 1995	1994
Export sales			
Asia	$ 4,056	$19,248	$30,790
Middle East	3,648	4,147	6,035
Europe	6,275	26,283	18,368
Other	2,859	12,871	10,690
Total foreign sales	$16,838	$62,549	$65,883

11. Related Party Transactions

The Businesses had a number of transactions with Loral and its affiliates. Management believes that the arrangements are as favorable to the Businesses as could be obtained from unaffiliated parties. The following describe the related party transactions.

Loral allocated certain operational, administrative, legal and other services to the Businesses. Costs allocated to the Businesses were $1,827, $6,535 and $5,123 for the three months ended March 31, 1996 and the years ended December 31, 1995 and 1994, respectively. The Businesses sold products to Loral and its affiliates. Net sales to Loral were $14,840 for the three months ended March 31, 1996 and were $54,600 and $28,542 in 1995 and 1994, respectively. Net sales to Space Systems/Loral were $2,471 for the three months ended March 31, 1996 and were $4,596 and $1,678 in 1995 and 1994, respectively. Net sales to K&F Industries were $1,173 for the three months ended March 31, 1996 and were $2,415 and $3,962 in 1995 and 1994, respectively.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or any offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

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Until , 1997 (90 days after commencement of this offering), all dealers effecting transactions in the exchange notes, whether or not participating in the exchange offer, may be required to deliver a prospectus.

Preliminary Prospectus

$225,000,000

L-3 Communications Corporation

[LOGO OMITTED]

Offer to Exchange $225,000,000 of its 10 3/8% Series B Senior Subordinated Notes due 2007, which have been registered under the Securities Act, for $225,000,000 of its outstanding 10 3/8% Senior Subordinated Notes due 2007

[ALTERNATE COVER FOR MARKET-MAKING PROSPECTUS]

PROSPECTUS
[LOGO OMITTED]

L-3 Communications Corporation

10 3/8% Series B Senior Subordinated Notes due 2007,

The 10 3/8% Series B Senior Subordinated Notes due 2007 (the "Exchange Notes") of L-3 Communications Corporation (the "Company" or "L-3") were issued in exchange for the 10 3/8% Senior Subordinated Notes due 2007 (the "Old Notes" and together with the Exchange Notes, the "Notes") by the Company.

Interest on the Exchange Notes will be payable semi-annually on May 1 and November 1 of each year, commencing November 1, 1997. The Exchange Notes will be redeemable at the option of the Company, in whole or in part, at any time on or after May 1, 2002, at the redemption prices set forth herein, plus accrued and unpaid interest to the date of redemption. In addition, prior to May 1, 2000, the Company may redeem up to 35% of the aggregate principal amount of Exchange Notes at the redemption price set forth herein plus accrued and unpaid interest through the redemption date with the net cash proceeds of one or more Equity Offerings (as defined). The Exchange Notes will not be subject to any mandatory sinking fund. In the event of a Change of Control (as defined), each holder of Exchange Notes will have the right, at the holder's option, to require the Company to purchase such holder's Exchange Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of purchase. See "Description of the Exchange Notes". The Company's ability to pay cash to the holders of Notes upon a purchase may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required purchases.

The Exchange Notes will be general unsecured obligations of the Company, subordinate in right of payment to all existing and future Senior Debt (as defined) of the Company. As of March 31, 1997, after giving pro forma effect to the Offering of the Old Notes, application of the net proceeds therefrom and borrowings under the Senior Credit Facilities (as defined), the Company would have had approximately $400.0 million of indebtedness outstanding, of which $175.0 million would have been Senior Debt (excluding letters of credit). See "Capitalization". On the date of issuance of the Exchange Notes, the Company will not have any subsidiaries; however, the Indenture (as defined) will permit the Company to create subsidiaries in the future.

For a discussion of certain factors that should be considered in connection with an investment in the Exchange Notes, see "Risk Factors" beginning on page 13.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE

COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Prospectus has been prepared for and is to be used by Lehman Brothers Inc. in connection with offers and sales in market-making transactions of the Exchange Notes. The Company will not receive any of the proceeds of such sales. Lehman Brothers Inc. may act as a principal or agent in such transactions. The Exchange Notes may be offered in negotiated transactions or otherwise.

_____

LEHMAN BROTHERS INC.

_____

The date of this Prospectus is _____, 1997

[ALTERNATE SECTION FOR MARKET-MAKING PROSPECTUS]

AVAILABLE INFORMATION

The Company has filed with the Commission a Registration Statement on Form S-4 (together with all amendments, exhibits, schedules and supplements thereto, the "Registration Statement") under the Securities Act with respect to the Exchange Notes being offered hereby. This Prospectus, which forms a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement. For further information with respect to the Company and the Exchange Notes, reference is made to the Registration Statement. Statements contained in this Prospectus as to the contents of any contract or other document are not necessarily complete, and, where such contract or other document is an exhibit to the Registration Statement, each such statement is qualified by the provisions in such exhibit, to which reference is hereby made. As a result of the offering of the Exchange Notes, the Company will become subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, will file reports and other information with the Commission. The Registration Statement, such reports and other information can be inspected and copied at the Public Reference Section of the Commission located at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549 and at regional public reference facilities maintained by the Commission located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of such material, including copies of all or any portion of the Registration Statement, can be obtained from the Public Reference Section of the Commission at prescribed rates. Such material may also be accessed electronically by means of the Commission's home page on the Internet (http://www.sec.gov).

So long as the Company is subject to the periodic reporting requirements of the Exchange Act, it is required to furnish the information required to be filed with the Commission to the Trustee and the holders of the Old Notes and the Exchange Notes. The Company has agreed that, even if it is not required under the Exchange Act to furnish such information to the Commission, it will nonetheless continue to furnish information that would be required to be furnished by the Company by Section 13 of the Exchange Act to the Trustee and the holders of the Old Notes or Exchange Notes as if it were subject to such periodic reporting requirements.

[ALTERNATE PAGE FOR MARKET-MAKING PROSPECTUS]

TRADING MARKET FOR THE EXCHANGE NOTES

There is no existing trading market for the Exchange Notes, and there can be no assurance regarding the future development of a market for the Exchange Notes or the ability of the Holders of the Exchange Notes to sell their Exchange Notes or the price at which such Holders may be able to sell their Exchange Notes. If such market were to develop, the Exchange Notes could trade at prices that may be higher or lower than their initial offering price depending on many factors, including prevailing interest rates, the Company's operating results and the market for similar securities. Although it is not obligated to do so, Lehman Brothers Inc. intends to make a market in the Exchange Notes. Any such market-making activity may be discontinued at any time, for any reason, without notice at the sole discretion of Lehman Brothers Inc. No assurance can be given as to the liquidity of or the trading market for the Exchange Notes.

Lehman Brothers Inc. may be deemed to be an affiliate of the Company and, as such, may be required to deliver a prospectus in connection with its market-making activities in the Exchange Notes. Pursuant to the Registration Rights Agreement, the Company agreed to file and maintain a registration statement that would allow Lehman Brothers Inc. to engage in market-making transactions in the Exchange Notes. Subject to certain exceptions set forth in the Registration Rights Agreement, the registration statement will remain effective for as long as Lehman Brothers Inc. may be required to deliver a prospectus in connection with market-making transactions in the Exchange Notes. The Company has agreed to bear substantially all the costs and expenses related to such registration statement.

[ALTERNATE PAGE FOR MARKET-MAKING PROSPECTUS]

USE OF PROCEEDS

This Prospectus is delivered in connection with the sale of the Exchange Notes by Lehman Brothers Inc. in market-making transactions. The Company will not receive any of the proceeds from such transactions.

[ALTERNATE PAGE FOR MARKET-MAKING PROSPECTUS]

PLAN OF DISTRIBUTION

This Prospectus is to be used by Lehman Brothers Inc. in connection with offers and sales of the Exchange Notes in market-making transactions effected from time to time. Lehman Brothers Inc. may act as a principal or agent in such transactions, including as agent for the counterparty when acting as principal or as agent for both counterparties, and may receive compensation in the form of discounts and commissions, including from both counterparties when it acts as agent for both. Such sales will be made at prevailing market prices at the time of sale, at prices related thereto or at negotiated prices.

Affiliates of Lehman Brothers Inc. currently own 50.1% of the Parent Common Stock. See "Ownership of Capital Stock". Lehman Brothers Inc. has informed the Company that it does not intend to confirm sales of the Exchange Notes to any accounts over which it exercises discretionary authority without the prior specific written approval of such transactions by the customer.

The Company has been advised by Lehman Brothers Inc. that, subject to applicable laws and regulations, Lehman Brothers Inc. currently intends to make a market in the Exchange Notes following completion of the Exchange Offer. However, Lehman Brothers Inc. is not obligated to do so and any such market-making may be interrupted or discontinued at any time without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. There can be no assurance that an active trading market will develop or be sustained. See "Risk Factors--Trading Market for the Exchange Notes."

Lehman Brothers Inc. has provided investment banking services to the Company in the past and may provide such services and financial advisory services to the Company in the future. Lehman Brothers Inc. acted as purchasers in connection with the initial sale of the Notes and received an underwriting discount of approximately $ million in connection therewith. See "Certain Transactions."

Lehman Brothers Inc. and the Company have entered into a registration rights agreement with respect to the use by Lehman Brothers Inc. of this Prospectus. Pursuant to such agreement, the Company agreed to bear all registration expenses incurred under such agreement, and the Company agreed to indemnify Lehman Brothers Inc. against certain liabilities, including liabilities under the Securities Act.

[ALTERNATE BACK COVER FOR MARKET-MAKING PROSPECTUS]

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus, and, if given or made, such information or representations must not be relied relied upon as having been authorized. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or any offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

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Prospectus

L-3 Communications Corporation

[LOGO OMITTED]

10 3/8% Series B Senior Subordinated Notes due 2007

LEHMAN BROTHERS INC.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law (the "DGCL") provides for, among other things:

a. permissive indemnification for expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by designated persons, including directors and officers of a corporation, in the event such persons are parties to litigation other than stockholder derivative actions if certain conditions are met;

b. permissive indemnification for expenses (including attorneys' fees) actually and reasonably incurred by designated persons, including directors and officers of a corporation, in the event such persons are parties to stockholder derivative actions if certain conditions are met;

c. mandatory indemnification for expenses (including attorneys' fees) actually and reasonably incurred by designated persons, including directors and officers of a corporation, in the event such persons are successful on the merits or otherwise in defense of litigation covered by a. and b. above; and

d. that the indemnification provided for by Section 145 is not deemed exclusive of any other rights which may be provided under any by-law, agreement, stockholder or disinterested director vote, or otherwise.

In addition to the indemnification provisions of the DGCL described above, the Registrant's certificate of incorporation (the "Certificate of Incorporation") authorizes indemnification of the Registrant's officers and directors, subject to a case-by-case determination that they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the Company, and in the case of any criminal proceeding, they had no reasonable cause to believe their conduct was unlawful. In the event that a Change in Control (as defined in the Certificate of Incorporation) shall have occurred, the proposed indemnitee director or officer may require that the determination of whether he met the standard of conduct be made by special legal counsel selected by him. In addition, whereas the DGCL would require court-ordered indemnification, if any, in cases in which a person has been adjudged to be liable to the Registrant, the Certificate of Incorporation also permits indemnification in such cases if and to the extent that the reviewing party determines that such indemnity is fair and reasonable under the circumstances.

The Certificate of Incorporation requires the advancement of expenses to an officer or director (without a determination as to his conduct) in advance of the final disposition of a proceeding if such person furnishes a written affirmation of his good faith belief that he has met the applicable standard of conduct and furnishes a written undertaking to repay any advances if it is ultimately determined that he is not entitled to indemnification. In connection with proceedings by or

in the right of the Registrant, the Certificate of Incorporation provides that indemnification shall include not only reasonable expenses, but also penalties, fines and amounts paid in settlement. Unless ordered by a court, such indemnification shall not include judgments. Under the Certificate of Incorporation, no officer or director is entitled to indemnification or advancement of expenses with respect to a proceeding brought by him against the Registrant other than a proceeding seeking or defending such officer's or director's right to indemnification or advancement of expenses. Finally, the Certificate of Incorporation provides that the Company may, subject to authorization on a case by case basis, indemnify and advance expenses to employees or agents to the same extent as a director or to a lesser extent (or greater, as permitted by law) as determined by the Board of Directors.

The Certificate of Incorporation purports to confer upon officers and directors contractual rights to indemnification and advancement of expenses as provided therein. In addition, as permitted by the DGCL, the Registrant has entered into indemnity agreements with its directors and selected officers that provide contract rights substantially identical to the rights to indemnification and advancement of expenses set forth in the Certificate of Incorporation, as described above.

The Certificate of Incorporation limits the personal liability of directors to the Registrant or its stockholders for monetary damages for breach of the duty as a director, other than liability as a director (i) for breach of duty of loyalty to the Registrant or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL (certain illegal distributions), or (iv) for any transaction for which the director derived an improper personal benefit.

The Registrant maintains officers' and directors' insurance covering certain liabilities that may be incurred by officers and directors in the performance of their duties.

Item 21. Exhibits and Financial Statement Schedules.

Exhibit No.	Description of Exhibit
3.1	Certificate of Incorporation
3.2	By-Laws of L-3 Communications Corporation
4.1	Indenture dated as of April 30, 1997 between L-3 Communications Corporation and The Bank of New York, as Trustee.
4.2	Form of 10 3/8% Senior Subordinated Note due 2007.
4.3	Form of 10 3/8% Series B Senior Subordinated Note due 2007.
5	Opinion of Simpson Thacher & Bartlett.
10.1	Credit Agreement, dated as of April 30, 1997, among L-3 Communications Corporation and lenders named therein.
10.2	Registration Rights Agreement, dated as of April 30, 1997, among L-3 Communications Corporation, Lehman Brothers Inc. and BancAmerica Securities, Inc.

10.3	Purchase Agreement, dated as of April 25, 1997, among L-3 Communications Corporation, Lehman Brothers Inc. and BancAmerica Securities, Inc..
10.4	Stockholders' Agreement between L-3 Communications Corporation and the stockholders parties thereto.
10.5	Transaction Agreement dated as of March 28, 1997, as amended, among Lockheed Martin Corporation, Lehman Brothers Capital Partners III, L.P., Frank C. Lanza, Robert V. LaPenta and L-3 Communications Corporation.
10.6	Employment Agreement dated April 30, 1997 between Frank C. Lanza and L-3 Communications Holdings, Inc.
10.61	Employment Agreement dated April 30, 1997 between Robert V. LaPenta and L-3 Communications Holdings, Inc.
10.7	Form of Transition Services Agreement dated April 30, 1997 among L-3 Communications Holdings, Inc., L-3 Communications Corporation and Lockheed Martin Corporation.
10.8	Lease dated as of April 29, 1997 among Lockheed Martin Tactical Systems, Inc., L-3 Communications Corporation and KSL, Division of Bonneville International
10.81	Lease dated as of April 29, 1997 among Lockheed Martin Tactical Systems L-3 Communications Corporation and Unisys Corporation
10.82	Sublease dated as of April 29, 1997 among Lockheed Martin Tactical Systems, Inc., L-3 Communications Corporation and Unisys Corporation
10.9	Limited Noncompetition Agreement dated April 30, 1997 between Lockheed Martin Corporation and L-3 Communications Corporation.
12.1	Computation of Ratio of Earnings to Fixed Charges
23.1	Consent of Simpson Thacher & Bartlett (included as part of its opinion filed as Exhibit 5 hereto).
23.2	Consent of Coopers & Lybrand L.L.P., independent certified public accountants.
23.3	Consent of Ernst & Young LLP, independent certified public accountants.
24	Powers of Attorney.
25	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of The Bank of New York, as Trustee.
99.1	Form of Letter of Transmittal.
99.2	Form of Notice of Guaranteed Delivery.

Previously filed.

Item 22. Undertakings.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereto, which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned Registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed to be underwriters, in addition to the information called for by the other Items of the applicable form.

The Registrant undertakes that every prospectus (i) that is filed pursuant to the immediately preceding undertaking or (ii) that purports to meet the requirements of section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the

company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused the Registration Statement or amendments thereto to be signed on its behalf by the undersigned, thereunto duly authorized, on September 11, 1997.

L-3 COMMUNICATIONS CORPORATION

By: *
Chief Executive Officer and Chairman of the Board of Directors

Pursuant to the requirements of the Securities Act, the Registration Statement has been signed on the 11th day of September, 1997 by the following persons in the capacities indicated:

Signature	Title
* Frank C. Lanza	Chairman, Chief Executive Officer Director (Principal Executive Officer)
* Robert V. LaPenta	President, Chief Financial Officer (Principal Financial Officer) and Director
/s/ Michael T. Strianese Michael T. Strianese	Vice President -- Finance and Controller (Principal Accounting Officer)
* Steven J. Berger	Director
* David J. Brand	Director
* Thomas A. Corcoran	Director
* Alberto M. Finali	Director
* Eliot M. Fried	Director

*	Director
Robert B. Millard	
*	Director
Frank H. Menaker, Jr.	
*	Director
John E. Montague	
*	Director
Alan H. Washkowitz	

*By: /s/ Michael T. Strianese
Attorney-In-Fact

EXHIBIT 3.1

CERTIFICATE OF INCORPORATION

OF

L-3 COMMUNICATIONS CORPORATION

The undersigned, in order to form a corporation for the purpose hereinafter stated, under and pursuant to the provisions of the Delaware General Corporation Law, hereby certifies that:

FIRST: The name of the Corporation is L-3 Communications Corporation.

SECOND: The registered office and registered agent of the Corporation is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

FOURTH: The total number of shares of stock that the Corporation is authorized to issue is 100 shares of Common Stock, par value $.01 each.

FIFTH: The name and address of the incorporator is Janet Lapidus, 425 Lexington Avenue, New York City, New York 10017-3954.

SIXTH: The Board of Directors of the Corporation, acting by majority vote, may alter, amend or repeal the By-Laws of the Corporation.

SEVENTH: Except as otherwise provided by the Delaware General Corporation Law as the same exists or may hereafter be amended, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. Any repeal or modification of this Article SEVENTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

IN WITNESS WHEREOF, the undersigned has signed this Certificate of Incorporation on April 8, 1997.

/s/ Janet Lapidus

Janet Lapidus

EXHIBIT 3.2

BY-LAWS

of

L-3 COMMUNICATIONS CORPORATION

(hereinafter called the "Corporation")

ARTICLE I

Offices and Records

Section 1.1 Delaware Office. The principal office of the Corporation in the State of Delaware shall be located in the City of Wilmington, County of New Castle, and the name and address of its registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

Section 1.2 Other Offices. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

Section 1.3 Books and Records. The books and records of the Corporation may be kept outside the State of Delaware at such place or places as may from time to time be designated by the Board of Directors.

ARTICLE II

Stockholders

Section 2.1 Annual Meeting. The annual meeting of the stockholders of the Corporation shall be held on such date, and at such place and time, as may be fixed by resolution of the Board of Directors.

Section 2.2 Special Meeting. Special meetings of the stockholders may be called only by the Chairman of the Board, if there be one, or the President, and shall be called by the Chairman of the Board or the President at the request in writing of a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting.

Section 2.3 Place of Meeting. The Board of Directors may designate the place of meeting for any meeting of the stockholders. If no designation is made by the Board of Directors, the place of meeting shall be the principal office of the Corporation.

Section 2.4 Notice of Meeting. Written or printed notice, stating the place, day and hour of the meeting and, in the case of special meetings, the purpose or purposes for which the meeting is called, shall be prepared and delivered by the Corporation not less than ten days nor more than sixty days before the date of the meeting, either personally or by mail, to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail with postage thereon prepaid, addressed to the stockholder at his address as it appears on the stock transfer books of the Corporation. Such further notice shall be given as may be required by law. Meetings may be held without notice if all stockholders entitled to vote are present, or if notice is waived by those not present. Any previously scheduled meeting of the stockholders may be postponed by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of stockholders.

Section 2.5 Quorum and Adjournment. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the outstanding shares of the Corporation entitled to vote generally in the election of directors, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum for the transaction of such business. The chairman of the meeting or a majority of the shares so represented may adjourn the meeting from time to time, whether or not there is such a quorum. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 2.6 Voting. Except as otherwise provided by the Certificate of Incorporation or these Bylaws, any questions brought before any meeting of stockholders shall be decided by a majority vote of the number of shares entitled to vote and present in person or represented by proxy. Such votes may be cast in person or by proxy but no proxy shall be voted on after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 2.7 Inspectors of Elections; Opening and Closing the Polls.

(A) The Board of Directors by resolution may appoint one or more inspectors, which inspector or inspectors may include individuals who serve

the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives of the Corporation, to act at the meeting and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act, or if all inspectors or alternates who have been appointed are unable to act, at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by the General Corporation Law of the State of Delaware.

(B) The chairman of the meeting shall fix and announce at the meeting the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting.

ARTICLE III

Board of Directors

Section 3.1 General Powers. The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors. In addition to the powers and authorities by these Bylaws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation or by these Bylaws required to be exercised or done by the stockholders.

Section 3.2 Number, Tenure and Qualifications. The number of directors shall be fixed from time to time exclusively pursuant to a resolution adopted by Board of Directors. Each director elected shall hold office until such director's successor is elected and qualified, except as otherwise provided herein or in the Certificate of Incorporation or as required by law.

Section 3.3 Regular Meetings. A meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, each annual meeting of stockholders. The Board of Directors may, by resolution, provide the time and place for the holding of additional regular meetings without other notice than such resolution.

Section 3.4 Special Meetings. Special meetings of the Board of Directors shall be called at the request of the Chairman of the Board, the President or a majority of the Board of Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the place and time of the meetings.

Section 3.5 Notice. Notice of any special meeting shall be given to each director at his business or residence in writing or by telephone or facsimile communication. If mailed, such notice shall be deemed adequately delivered when deposited in the United States mails so addressed, with postage thereon prepaid, at least three days before such meeting. If by telephone or facsimile, the notice shall be given at least twenty-four hours prior to the time set for the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice of such meeting, except for amendments to these Bylaws, as provided under Section 7.1 of Article VII hereof. A meeting may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in writing, either before or after such meeting.

Section 3.6 Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business, but if at any meeting of the Board of Directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time without further notice. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. The directors present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 3.7 Vacancies. Unless the Board of Directors otherwise determines, vacancies resulting from death, resignation, retirement, disqualification, removal from office, an increase in the authorized number of directors or other cause may be filled only by the affirmative vote of a

majority of the remaining directors, though less than a quorum of the Board of Directors, or by a sole remaining director. Any director elected in accordance with the preceding sentence of this Section 3.7 shall hold office for a term expiring at the next annual meeting of stockholders and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 3.8 Executive and Other Committees. The Board of Directors may, by resolution adopted by a majority of the Board of Directors, designate an Executive Committee to exercise, subject to applicable provisions of law, all or part of the powers of the Board in the management of the business and affairs of the Corporation when the Board is not in session, including without limitation the power to declare dividends and to authorize the issuance of the Corporation's capital stock, and may, by resolution similarly adopted, designate one or more other committees. The Executive Committee and each such other committee shall consist of two or more directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee may, to the extent permitted by law, exercise such powers and shall have such responsibilities as shall be specified in the designating resolution. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Each committee shall keep written minutes of its proceedings and shall report such proceedings to the Board when required.

A majority of any committee may determine its action and fix the time and place of its meetings, unless the Board shall otherwise provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in Section 3.5 of these Bylaws. The Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee. Except as otherwise provided by law, the presence of a majority of the then appointed members of a committee shall constitute a quorum for the transaction of business by that committee, and in every case where a quorum is present the affirmative vote of a majority of the members of the committee present shall be the act of the committee.

ARTICLE IV

Officers

Section 4.1 Elected Officers. The elected officers of the Corporation shall be a Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers as the Board of Directors from time to time may deem proper, including one or more vice presidents, assistant treasurers and assistant secretaries. The Chairman of the Board shall be chosen from the directors. All officers chosen by the Board of Directors shall each have such powers and duties as from time to time may be conferred by the Board of Directors.

Section 4.2 Election and Term of Office. The elected officers of the Corporation shall be elected annually by the Board of Directors at the regular meeting of the Board of Directors held after each annual meeting of the stockholders. If the election of officers shall not be held at such

meeting such election shall be held as soon thereafter as convenient. Subject to Section 4.5 of these By-Laws, each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign.

Section 4.3 Secretary. The Secretary shall give, or cause to be given, notice of all meetings of stockholders and Directors and all other notices required by law or by these Bylaws, and in case of his or her absence or refusal or neglect so to do, any such notice may be given by any person thereunto directed by the Chairman of the Board or the President, or by the Board of Directors, upon whose request the meeting is called as provided in these Bylaws. The Secretary shall record all the proceedings of the meetings of the Board of Directors, any committees thereof and the stockholders of the Corporation in a book to be kept for that purpose, and shall perform such other duties as may be assigned to him or her by the Board of Directors, the Chairman of the Board or the President. The Secretary shall have the custody of the seal of the Corporation and see that the same is affixed to all instruments requiring it.

Section 4.4 Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursements in books belonging to the Corporation. The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the Corporation in the depository or depositaries of the Corporation. The Treasurer shall disburse the funds of the Corporation, taking proper vouchers for such disbursements. The Treasurer shall render to the Chairman of the Board, the President and the Board of Directors, whenever requested, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond for the faithful discharge of his duties in such amount and with such surety as the Board of Directors shall prescribe.

Section 4.5 Removal. Any officer elected by the Board of Directors may be removed by a majority of the Board of Directors, with or without cause, whenever, in their judgment, the best interests of the Corporation would be served thereby. No elected officer shall have any contractual rights against the Corporation for compensation by virtue of such election beyond the date of the election of his successor, his death, his resignation or his removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

Section 4.6 Vacancies. A newly created office and a vacancy in any office because of death, resignation, or removal may be filled by the Board of Directors for the unexpired portion of the term at any meeting of the Board of Directors.

ARTICLE V

STOCK CERTIFICATES AND TRANSFERS

Section 5.1 Stock Certificates and Transfers.

(A) The interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the appropriate

officers of the Corporation may from time to time prescribe. The shares of the stock of the Corporation shall be transferred on the books of the Corporation by the holder thereof in person or by his attorney, upon surrender for cancellation of certificates for the same number of shares, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, with such proof of the authenticity of the signature as the Corporation or its agents may reasonably require.

(B) The certificates of stock shall be signed, countersigned and registered in such manner as the Board of Directors may by resolution prescribe, which resolution may permit all or any of the signatures on such certificates to be in facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.1 Fiscal Year. The fiscal year of the Corporation shall be fixed by the Board of Directors.

Section 6.2 Dividends. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Certificate of Incorporation.

Section 6.3 Seal. The corporate seal shall be in such form as the Board of Directors shall prescribe.

Section 6.4 Waiver of Notice. Whenever any notice is required to be given to any stockholder or director of the Corporation under the provisions of the General Corporation Law of the State of Delaware, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders or the Board of Directors need be specified in any waiver of notice of such meeting.

Section 6.5 Audits. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant, and it shall be the duty of the Board of Directors to cause such audit to be made annually.

Section 6.6 Resignations. Any director or any officer, whether elected or appointed, may resign at any time by serving written notice of such resignation on the Chairman of the Board, the President or the Secretary, and such resignation shall be deemed to be effective as of the close of business on the date said notice is received by the Chairman of the Board, the President, or the Secretary, unless otherwise specified in said notice. No formal action shall be required of the Board of Directors or the stockholders to make any such resignation effective.

Section 6.7 Indemnification and Insurance. (A) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit, or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she or a person of whom he or she is the legal representative is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended, against all expense, liability and loss (including, without limitation, attorneys' fees, judgments, fines, penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in paragraph (B) of this Section 6.7 of this Bylaw with respect to proceedings seeking to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

(B) If a claim under paragraph (A) of this Section 6.7 of this Bylaw is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(C) The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Bylaw shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the

Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

(D) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware.

(E) The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any agent of the Corporation to the fullest extent of the provisions of this Bylaw with respect to the indemnification and advancement of expenses of directors, officers and employees of the Corporation.

(F) The right to indemnification conferred in this Bylaw shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if the General Corporation Law of the State of Delaware requires the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, such advancement shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Bylaw or otherwise.

ARTICLE VII

AMENDMENTS

Section 7.1 Amendments. These Bylaws may be altered, amended, rescinded or repealed in whole or in part, or new Bylaws may be adopted by the affirmative vote of a majority of the Board of Directors or a majority of the votes entitled to be cast by the stockholders on the matter, provided that the affirmative vote of two-thirds of the Board of Directors or of two-thirds of the votes entitled to be cast by the stockholders on the matter is required to amend Sections 2.5, 2.6, 3.2, 3.6, 3.7, 6.2, 6.7 and 7.1 of the Bylaws, and provided that notice of the proposed change was given in the notice of the meeting.

EXHIBIT 4.1

L-3 COMMUNICATIONS CORPORATION
As Issuer

$225,000,000

10 3/8% SENIOR SUBORDINATED NOTES DUE 2007

INDENTURE

Dated as of April 30, 1997

The Bank of New York,
As Trustee

EXHIBITS

EXHIBIT A-1	FORM OF NOTE (NON-REGULATION-S)
EXHIBIT A-2	FORM OF NOTE (REGULATION S)
EXHIBIT B	FORM OF CERTIFICATE OF TRANSFER
EXHIBIT C	FORM OF CERTIFICATE OF EXCHANGE
EXHIBIT D	FORM OF CERTIFICATE FROM ACQUIRING INSTITUTIONAL ACCREDITED INVESTORS
EXHIBIT E	FORM OF SUPPLEMENTAL INDENTURE
EXHIBIT F	FORM OF NOTATION ON SENIOR SUBORDINATED NOTE RELATING TO SUBSIDIARY GUARANTEE

CROSS-REFERENCE TABLE

Trust Indenture Act Section	Indenture Section
310 (a)(1)	7.10
(a)(2)	7.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	7.10
(b)	7.10
(c)	N.A.
311 (a)	7.11
(b)	7.11
(c)	N.A.
312 (a)	2.05
(b)	11.03
(c)	11.03
313 (a)	7.06
(b)(1)	10.03
(b)(2)	7.07
(c)	7.06;11.02
(d)	7.06
314 (a)	4.03;11.02
(b)	10.02
(c)(1)	11.04
(c)(2)	11.04
(c)(3)	N.A.
(d)	10.03, 10.04, 10.05
(e)	11.05
(f)	N.A.
315 (a)	7.01
(b)	7.05,11.02
(c)	7.01
(d)	7.01
(e)	6.11
316 (a)(last sentence)	2.09
(a)(1)(A)	6.05
(a)(1)(B)	6.04
(a)(2)	N.A.
(b)	6.07
(c)	2.12
317 (a)(1)	6.08
(a)(2)	6.09
(b)	2.04
318 (a)	11.01
(b)	N.A.
(c)	11.01

N.A. means not applicable.

_____

[FN]
This Cross-Reference Table is not part of the Indenture.

This INDENTURE dated as of April 30, 1997, between L-3 Communications Corporation, a Delaware corporation (the "Company"), and The Bank of New York, as trustee (the "Trustee").

The Company and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the 10 3/8% Notes due 2007 (the "Initial Notes") and the 10 3/8% Senior Notes due 2007 (the "Exchange Notes" and, together with the Initial Notes, the "Notes"):

ARTICLE 1
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01. Definitions

"144A Global Note" means the global note in the form of Exhibit A-1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Rule 144A.

"Acquired Debt" means, with respect to any specified Person, (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Subsidiary of such specified Person, including, without limitation, Indebtedness incurred in connection with, or in contemplation of, such other Person merging with or into or becoming a Subsidiary of such specified Person, and (ii) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; provided that beneficial ownership of 10% or more of the voting securities of a Person shall be deemed to be control.

"Agent" means any Registrar, Paying Agent or co-registrar.

"Applicable Procedures" means, with respect to any transfer or exchange of or for beneficial interests in any Global Note, the rules and procedures of the Depositary, Euroclear and Cedel that apply to such transfer or exchange.

"Asset Sale" means (i) the sale, lease, conveyance or other disposition of any assets or rights (including, without limitation, by way of a sale and leaseback) other than sales of inventory in the ordinary course of business consistent with past practices (provided that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole shall be

governed by the covenant contained in Section 4.15 and/or the covenant contained in Section 5.01 and not by the covenant contained in Section 4.10), and (ii) the issue or sale by the Company or any of its Subsidiaries of Equity Interests of any of the Company's Restricted Subsidiaries, in the case of either clause (i) or (ii), whether in a single transaction or a series of related transactions (A) that have a fair market value in excess of $1.0 million or (B) for net proceeds in excess of $1.0 million. Notwithstanding the foregoing: (i) a transfer of assets by the Company to a Restricted Subsidiary or by a Restricted Subsidiary to the Company or to another Restricted Subsidiary, (ii) an issuance of Equity Interests by a Restricted Subsidiary to the Company or to another Restricted Subsidiary, (iii) a Restricted Payment that is permitted by the covenant contained in Section 4.07 and (iv) a disposition of Cash Equivalents in the ordinary course of business shall not be deemed to be an Asset Sale.

"Attributable Debt" in respect of a sale and leaseback transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended).

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Board of Directors" means the Board of Directors of the Company, or any authorized committee of the Board of Directors.

"Business Day" means any day other than a Legal Holiday.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means (i) United States dollars, (ii) securities issued or directly and fully guaranteed or insured by the United States government or any agency or instrumentality thereof having maturities of not more than one year from the date of acquisition, (iii) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic financial institution to the Senior Credit Facilities or with any domestic commercial bank having capital and surplus in excess of $500.0 million and a Thompson Bank Watch Rating of "B" or better, (iv) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (ii) and (iii) above entered into with any

financial institution meeting the qualifications specified in clause (iii) above, (v) commercial paper having the highest rating obtainable from Moody's or S&P's and in each case maturing within six months after the date of acquisition, (vi) investment funds investing 95% of their assets in securities of the types described in clauses (i)-(v) above, and (vii) readily marketable direct obligations issued by any State of the United States of America or any political subdivision thereof having maturities of not more than one year from the date of acquisition and having one of the two highest rating categories obtainable from either Moody's or S&P.

"Cedel" means Cedel Bank, societe anonyme.

"Change of Control" means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole to any "person" (as such term is used in Section 13(d)(3) of the Exchange Act) other than the Principals or their Related Parties (as defined below), (ii) the adoption of a plan relating to the liquidation or dissolution of the Company, (iii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as defined above), other than the Principals and their Related Parties, becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of the Company (measured by voting power rather than number of shares) or (iv) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

"Consolidated Cash Flow" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus (i) an amount equal to any extraordinary loss plus any net loss realized in connection with an Asset Sale (to the extent such losses were deducted in computing such Consolidated Net Income), plus (ii) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was included in computing such Consolidated Net Income, plus (iii) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued and whether or not capitalized (including, without limitation, original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations), to the extent that any such expense was deducted in computing such Consolidated Net Income, plus (iv) depreciation, amortization (including amortization of goodwill, debt issuance costs and other intangibles but excluding amortization of other prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Net Income, minus (v) non-cash items increasing such Consolidated Net Income for such period, in each case, on a consolidated basis and determined in accordance with GAAP.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that (i) the Net Income of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Restricted Subsidiary thereof that is a Guarantor, (ii) the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, (iii) the Net Income of any Person acquired in a pooling of interests transaction for any period prior to the date of such acquisition shall be excluded, (iv) the cumulative effect of a change in accounting principles shall be excluded, (v) the Net Income of any Unrestricted Subsidiary shall be excluded, whether or not distributed to the Company or one of its Restricted Subsidiaries, and (vi) the Net Income of any Restricted Subsidiary shall be calculated after deducting preferred stock dividends payable by such Restricted Subsidiary to Persons other than the Company and its other Restricted Subsidiaries.

"Consolidated Net Tangible Assets" means, as of any date of determination, shareholders' equity of the Company and its Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP, less goodwill and other intangibles (other than patents, trademarks, licenses, copyrights and other intellectual property and prepaid assets).

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors of the Company who (i) was a member of such Board of Directors on the Issue Date or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"Corporate Trust Office of the Trustee" shall be at the address of the Trustee specified in Section 11.02 hereof or such other address as to which the Trustee may give notice to the Company.

"Credit Facilities" means, with respect to the Company, one or more debt facilities (including, without limitation, the Senior Credit Facilities) or commercial paper facilities with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Definitive Note" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Article 2 hereof, substantially in the form of Exhibit A-1 hereto, except that such Note shall

not bear the Global Note Legend and shall not have the "Schedule of Exchanges of Interests in the Global Note" attached thereto.

"Depositary" means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.03 hereof as the Depositary with respect to the Notes, until a successor shall have been appointed and become such pursuant to the applicable provision of this Indenture, and, thereafter, "Depositary" shall mean or include such successor.

"Designated Senior Debt" means (i) any Indebtedness outstanding under the Senior Credit Facilities and (ii) any other Senior Debt permitted under this Indenture the principal amount of which is $25.0 million or more and that has been designated by the Company as "Designated Senior Debt".

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the Holder thereof, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature; provided, however, that if such Capital Stock is issued to any plan for the benefit of employees of the Company or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Company in order to satisfy applicable statutory or regulatory obligations.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means any public or private sale of equity securities (excluding Disqualified Stock) of the Company or Holdings, other than any private sales to an Affiliate of the Company or Holdings.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Exchange Notes" means the Notes issued in the Exchange Offer pursuant to Section 2.06(f).

"Exchange Offer" has the meaning set forth in the Registration Rights Agreement has the meaning set forth in the Registration Rights Agreement.

"Existing Indebtedness" means any Indebtedness of the Company (other than Indebtedness under the Senior Credit Facilities and the Notes) in existence on the Issue Date, until such amounts are repaid.

"Fixed Charges" means, with respect to any Person for any period, the sum, without duplication, of (i) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, original issue discount, non-cash

interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net payments (if any) pursuant to Hedging Obligations, but excluding amortization of debt issuance costs) and (ii) the consolidated interest of such Person and its Restricted Subsidiaries that was capitalized during such period, and (iii) any interest expense on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries (whether or not such Guarantee or Lien is called upon) and (iv) the product of (A) all dividend payments, whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividend payments on Equity Interests payable solely in Equity Interests of the Company, times (B) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of such Person, expressed as a decimal, in each case, on a consolidated basis and in accordance with GAAP.

"Fixed Charge Coverage Ratio" means with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Fixed Charges of such Person for such period. In the event that the Company or any of its Restricted Subsidiaries incurs, assumes, Guarantees or redeems any Indebtedness (other than revolving credit borrowings) or issues preferred stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such incurrence, assumption, Guarantee or redemption of Indebtedness, or such issuance or redemption of preferred stock, as if the same had occurred at the beginning of the applicable four-quarter reference period. In addition, for purposes of making the computation referred to above, (i) acquisitions that have been made by the Company or any of its Restricted Subsidiaries, including through mergers or consolidations and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be deemed to have occurred on the first day of the four-quarter reference period and Consolidated Cash Flow for such reference period shall be calculated without giving effect to clause (iii) of the proviso set forth in the definition of Consolidated Net Income, and (ii) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, and (iii) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded, but only to the extent that the obligations giving rise to such Fixed Charges shall not be obligations of the referent Person or any of its Restricted Subsidiaries following the Calculation Date.

"Foreign Subsidiary" means a Restricted Subsidiary of the Company that was not organized or existing under the laws of the United States, any state thereof, the District of Columbia or any territory thereof.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the

American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the Issue Date.

"Global Notes" means, individually and collectively, each of the Restricted Global Notes and the Unrestricted Global Notes, substantially in the form of Exhibit A-1 or A-2 hereto issued in accordance with Article 2 hereof.

"Global Note Legend" means the legend set forth in Section 2.06(g)(ii) to be placed on all Global Notes issued under this Indenture.

"Government Securities" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which guarantee or obligations the full faith and credit of the United States is pledged.

"Guarantee" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness.

"Guarantors" means each Subsidiary of the Company that executes a Subsidiary Guarantee in accordance with the provisions of this Indenture, and their respective successors and assigns.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under (i) currency exchange or interest rate swap agreements, interest rate cap agreements and currency exchange or interest rate collar agreements and (ii) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or interest rates.

"Holder" means a Person in whose name a Note is registered.

"Holdings" means L-3 Communications Holdings, Inc.

"IAI Global Note" means the global Note in the form of Exhibit A-1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold to Institutional Accredited Investors.

"Indebtedness" means, with respect to any Person, any indebtedness of such Person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or banker's acceptances or representing Capital Lease Obligations or the balance deferred and unpaid of the purchase price of any property or representing any Hedging Obligations, except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP, as well as all indebtedness of others secured by a Lien on any asset of such Person (whether or not such indebtedness is assumed by such Person) and, to the

extent not otherwise included, the Guarantee by such Person of any indebtedness of any other Person. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof, in the case of any Indebtedness that does not require current payments of interest, and (ii) the principal amount thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

"Indenture" means this Indenture, as amended or supplemented from time to time.

"Indirect Participant" means a Person who holds a beneficial interest in a Global Note through a Participant.

"Institutional Accredited Investor" means an institution that is an "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act.

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees of Indebtedness or other obligations), advances or capital contributions (excluding commission, travel, moving and similar loans or advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If the Company or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in the last paragraph of the covenant contained in Section 4.07.

"Issue Date" means the closing date for the sale and original issuance of the Notes under this Indenture.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in The City of New York or at a place of payment are authorized by law, regulation or executive order to remain closed. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

"Lehman Investor" means Lehman Brothers Holdings Inc. and any of its Affiliates.

"Letter of Transmittal" means the letter of transmittal to be prepared by the Company and sent to all Holders of the Initial Notes for use by such Holders in connection with the Exchange Offer.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give

any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

"Liquidated Damages" means all liquidated damages then owing pursuant to Section 5 of the Registration Rights Agreement.

"Marketable Securities" means, with respect to any Asset Sale, any readily marketable equity securities that are (i) traded on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market; and (ii) issued by a corporation having a total equity market capitalization of not less than $250.0 million; provided that the excess of (A) the aggregate amount of securities of any one such corporation held by the Company and any Restricted Subsidiary over (B) ten times the average daily trading volume of such securities during the 20 immediately preceding trading days shall be deemed not to be Marketable Securities; as determined on the date of the contract relating to such Asset Sale.

"Moody's" means Moody's Investors Services, Inc.

"Net Income" means, with respect to any Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however, (i) any gain or loss, together with any related provision for taxes thereon, realized in connection with (A) any Asset Sale (including, without limitation, dispositions pursuant to sale and leaseback transactions) or (B) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries and (ii) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss and (iii) the cumulative effect of a change in accounting principles.

"Net Proceeds" means the aggregate cash proceeds received by the Company or any of its Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, and sales commissions) and any relocation expenses incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements), amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

"Non-Recourse Debt" means Indebtedness (i) as to which neither the Company nor any of its Restricted Subsidiaries (A) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (B) is directly or indirectly liable (as a guarantor or otherwise), or (C) constitutes the lender; and (ii) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness (other than Indebtedness incurred under Credit Facilities) of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and (iii) as to which the lenders have been notified

in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"Non-U.S. Person" means a person who is not a U.S. Person.

"Note Custodian" means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

"Obligations" means any principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization, whether or not a claim for post-filing interest is allowed in such proceeding), penalties, fees, charges, expenses, indemnifications, reimbursement obligations, damages (including Liquidated Damages), guarantees and other liabilities or amounts payable under the documentation governing any Indebtedness or in respect thereto.

"Offering" means the Offering of the Notes by the Company.

"Officer" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary, any Assistant Secretary or any Vice-President of such Person.

"Officers' Certificate" means a certificate signed on behalf of the Company by two Officers of the Company, one of whom must be the principal executive officer, the principal financial officer, the treasurer or the principal accounting officer of the Company, that meets the requirements of Section 11.05 hereof.

"Opinion of Counsel" means an opinion from legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 11.05 hereof. The counsel may be an employee of or counsel to the Company, any Subsidiary of the Company or the Trustee.

"Participant" means, with respect to DTC, Euroclear or Cedel, a Person who has an account with DTC, Euroclear or Cedel, respectively (and, with respect to DTC, shall include Euroclear and Cedel).

"Permitted Investments" means (i) any Investment in the Company or in a Restricted Subsidiary of the Company that is a Guarantor (ii) any Investment in cash or Cash Equivalents; (iii) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment (A) such Person becomes a Restricted Subsidiary of the Company and a Guarantor or (B) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company that is a Guarantor; (iv) any Restricted Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with the covenant contained in Section 4.10 or any disposition of assets not constituting an Asset sale; (v) any acquisition of assets solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company; (vi) advances to employees not to exceed $2.5 million at any one time outstanding; (vii) any Investment acquired in connection with or as a result of a workout or bankruptcy of a customer or supplier; (viii) Hedging Obligations permitted to be incurred under the covenant contained in Section 4.09; (ix) any Investment in a

Similar Business that is not a Restricted Subsidiary; provided that the aggregate fair market value of all Investments made pursuant to this clause (ix) (valued on the date each such Investment was made and without giving effect to subsequent changes in value) may not exceed 5% of the Consolidated Net Tangible Assets of the Company; and (x) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (x) that are at the time outstanding, not to exceed $15.0 million.

"Permitted Junior Securities" means Equity Interests in the Company or debt securities that are subordinated to all Senior Debt (and any debt securities issued in exchange for Senior Debt) to substantially the same extent as, or to a greater extent than, the Notes and the Subsidiary Guarantees are subordinated to Senior Debt pursuant to Article 10 of this Indenture.

"Permitted Liens" means (i) Liens securing Senior Debt of the Company or any Guarantor that was permitted by the terms of this Indenture to be incurred; (ii) Liens in favor of the Company or any Guarantor; (iii) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Company or any Restricted Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company; (iv) Liens on property existing at the time of acquisition thereof by the Company or any Subsidiary of the Company, provided that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any other assets of the Company or any of its Restricted Subsidiaries; (v) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business; (vi) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (v) of the second paragraph of Section 4.09 covering only the assets acquired with such Indebtedness; (vii) Liens existing on the Issue Date; (viii) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, provided that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor; (ix) Liens incurred in the ordinary course of business of the Company or any Restricted Subsidiary of the Company with respect to obligations that do not exceed $5.0 million at any one time outstanding; (x) Liens on assets of Guarantors to secure Senior Debt of such Guarantors that was permitted by this Indenture to be incurred; (xi) Liens securing Permitted Refinancing Indebtedness, provided that any such Lien does not extend to or cover any property, shares or debt other than the property, shares or debt securing the Indebtedness so refunded, refinanced or extended; (xii) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, government contracts, performance and return of money bonds and other obligations of a like nature, in each case incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money); (xiii) Liens upon specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business; (xiv) Liens encumbering customary initial deposits and margin deposits, and other Liens

incurred in the ordinary course of business that are within the general parameters customary in the industry, in each case securing Indebtedness under Hedging Obligations; and (xv) Liens encumbering deposits made in the ordinary course of business to secure nondelinquent obligations arising from statutory or regulatory, contractual or warranty requirements of the Company or its Subsidiaries for which a reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Company or any of its Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries; provided that: (i) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus accrued interest on, the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of reasonable expenses and prepayment premiums incurred in connection therewith); (ii) such Permitted Refinancing Indebtedness has a final maturity date no earlier than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; (iii) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and (iv) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary who is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

"Permitted Securities" means, with respect to any Asset Sale, Voting Stock of a Person primarily engaged in one or more Similar Businesses; provided that after giving effect to the Asset Sale such Person shall become a Restricted Subsidiary and a Guarantor.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or agency or political subdivision thereof (including any subdivision or ongoing business of any such entity or substantially all of the assets of any such entity, subdivision or business).

"Principals" means any Lehman Investor, Lockheed Martin Corporation, Frank C. Lanza and Robert V. LaPenta

"Private Placement Legend" means the legend set forth in Section 2.07(g)(i) to be placed on all Notes issued under this Indenture except as otherwise permitted by the provisions of this Indenture.

"Purchase Agreement" means the Purchase Agreement, dated April 25, 1997, among the Company, Lehman Brothers Inc. and BancAmerica Securities, Inc.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Registration Rights Agreement" means the Registration Rights Agreement, dated as of April, 30 1997, by and among the Company, Lehman Brothers Inc. and BancAmerica Securities, Inc., as such agreement may be amended, modified or supplemented from time to time.

"Regulation S" means Regulation S promulgated under the Securities Act.

"Regulation S Global Note" means a global Note bearing the Private Placement Legend and deposited with and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Regulation S, or a Regulation S Temporary Global Note or Regulation S Permanent Global Note, as appropriate.

"Regulation S Permanent Global Note" means a permanent global Note in the form of Exhibit A-1 hereto bearing the Global Note Legend and the Private Placement Legend and deposited with and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Regulation S Temporary Global Note upon expiration of the Restricted Period.

"Regulation S Temporary Global Note" means a single temporary global Note in the form of Note attached hereto as Exhibit A-2 bearing the Private Placement Legend and deposited with and registered in the name of the Depositary or its nominee that will be issued in a denomination equal to the outstanding principal amount of the Notes sold in reliance on Regulation S.

"Related Party" with respect to any Principal means (i) any controlling stockholder, 50% (or more) owned Subsidiary, or spouse or immediate family member (in the case of an individual) of such Principal or (ii) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding a more than 50% controlling interest of which consist of such Principal and/or such other Persons referred to in the immediately preceding clause (i).

"Responsible Officer," when used with respect to the Trustee, means any officer within the Corporate Trust Administration of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Representative" means the indenture trustee or other trustee, agent or representative for any Senior Debt.

"Restricted Definitive Note" means a Definitive Note bearing the Private Placement Legend.

"Restricted Global Notes" means the 144A Global Note, the IAI Global Note and the Regulation S Global Notes, each of which shall bear the Private Placement Legend.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Period" means the 40-day restricted period as defined in Regulation S.

"Restricted Subsidiary" means, with respect to any Person, each Subsidiary of such Person that is not an Unrestricted Subsidiary.

"Rule 144" means Rule 144 under the Securities Act.

"Rule 144A" means Rule 144A under the Securities Act.

"Rule 903" means Rule 903 under the Securities Act.

"Rule 904" means Rule 904 under the Securities Act.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Senior Credit Facilities" means the credit agreement, dated as of the Issue Date among the Company and a syndicate of banks and other financial institutions led by Lehman Commercial Paper Inc., as syndication agent, and any related notes, collateral documents, letters of credit and guarantees, including any appendices, exhibits or schedules to any of the foregoing (as the same may be in effect from time to time), in each case, as such agreements may be amended, modified, supplemented or restated from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid or extended from time to time (whether with the original agents and lenders or other agents and lenders or otherwise, and whether provided under the original credit agreement or other credit agreements or otherwise).

"Senior Debt" means (i) all Indebtedness of the Company or any of its Restricted Subsidiaries outstanding under Credit Facilities and all Hedging Obligations with respect thereto, (ii) any other Indebtedness permitted to be incurred by the Company or any of its Restricted Subsidiaries under the terms of this Indenture, unless the instrument under which such Indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the Notes and (iii) all Obligations with respect to the foregoing. Notwithstanding anything to the contrary in the foregoing, Senior Debt shall not include (i) any liability for federal, state, local or other taxes owed or owing by the Company, (ii) any Indebtedness of the Company to any of its Subsidiaries or other Affiliates, (iii) any trade payables or (iv) any Indebtedness that is incurred in violation of this Indenture.

"Shelf Registration Statement" means the Shelf Registration Statement as defined in the Registration Rights Agreement.

"Significant Subsidiary" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Act, as such Regulation is in effect on the date hereof.

"Similar Business" means a business, a majority of whose revenues in the most recently ended calendar year were derived from (i) the sale of defense products, electronics, communications systems, aerospace products, avionics products and/or communications products, (ii) any services related thereto, (iii) any business or activity that is reasonably similar thereto or

a reasonable extension, development or expansion thereof or ancillary thereto, and (iv) any combination of any of the foregoing.

"Stated Maturity" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"Subsidiary" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof) and (ii) any partnership (A) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (B) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"S&P" means Standard and Poor's Corporation.

"TIA" means the Trust Indenture Act of 1939 (15 U.S.C. Sections 77aaa-77bbbb) as in effect on the date on which this Indenture is qualified under the TIA.

"Transaction Documents" means this Indenture, the Notes, the Purchase Agreement and the Registration Rights Agreement.

"Transfer Restricted Securities" means securities that bear or are required to bear the Private Placement Legend set forth in Section 2.06(g)(i) hereof.

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"Unrestricted Global Note" means one or more global Notes, in the form of Exhibit A-1 attached hereto, that do not and are not required to bear the Private Placement Legend and are deposited with and registered in the name of the Depositary or its nominee.

"Unrestricted Definitive Note" means one or more Definitive Notes that do not and are not required to bear the Private Placement Legend.

"Unrestricted Subsidiaries" means any Subsidiary that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution, but only to the extent that such Subsidiary: (i) has no Indebtedness other than Non-Recourse Debt; (ii) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company; (iii) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries

has any direct or indirect obligation (A) to subscribe for additional Equity Interests or (B) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; (iv) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries; and (v) has at least one director on its board of directors that is not a director or executive officer of the Company or any of its Restricted Subsidiaries and has at least one executive officer that is not a director or executive officer of the Company or any of its Restricted Subsidiaries. Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions and was permitted by Section 4.07. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09, the Company shall be in default of such covenant). The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if (i) such Indebtedness is permitted under Section 4.09, calculated on a pro forma basis as if such designation had occurred at the beginning of the four-quarter reference period, and (ii) no Default or Event of Default would be in existence following such designation.

"U.S. Person" means a U.S. person as defined in Rule 902(o) under the Securities Act.

"Voting Stock" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (A) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (B) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment, by (ii) the then outstanding principal amount of such Indebtedness.

"Wholly Owned" means, when used with respect to any Subsidiary or Restricted Subsidiary of a Person, a Subsidiary (or Restricted Subsidiary, as appropriate) of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries (or Wholly Owned Restricted Subsidiaries, as appropriate) of such Person and one or more Wholly Owned Subsidiaries (or Wholly Owned Restricted Subsidiaries, as appropriate) of such Person.

Section 1.02. Other Definitions.

Term	Defined in Section
"Affiliate Transaction"	4.11
"Asset Sale Offer"	3.09
"Bankruptcy Law"	4.01
"Change of Control Offer"	4.15
"Change of Control Payment"	4.15
"Change of Control Payment Date"	4.15
"Covenant Defeasance"	8.03
"Event of Default"	6.01
"Excess Proceeds"	4.10
"incur"	4.09
"Legal Defeasance"	8.02
"Offer Amount"	3.09
"Offer Period"	3.09
"Paying Agent"	2.03
"Purchase Date"	3.09
"Registrar"	2.03
"Restricted Payments"	4.07

Section 1.03. Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"indenture securities" means the Notes;

"indenture security Holder" means a Holder of a Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee;

"obligor" on the Notes means the Company and any successor obligor upon the Notes.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA have the meanings so assigned to them.

Section 1.04. Rules of Construction.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) provisions apply to successive events and transactions; and

(6) references to sections of or rules under the Securities Act shall be deemed to include substitute, replacement of successor sections or rules adopted by the SEC from time to time.

ARTICLE 2
THE NOTES

Section 2.01. Form and Dating.

The Notes and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A-1 or A-2 hereto. The Notes may be issued in the form of Definitive Notes or Global Notes, as specified by the Company. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage. Each Note shall be dated the date of its authentication. The Notes shall be in denominations of $1,000 and integral multiples thereof.

The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

Notes issued in global form shall be substantially in the form of Exhibit A-1 or A-2 attached hereto (including the Global Note Legend and the "Schedule of Exchanges in the Global Note" attached thereto). Notes issued in definitive form shall be substantially in the form of Exhibit A-1 or A-2 attached hereto (but without the Global Note Legend and without the "Schedule of Exchanges of Interests in the Global Note" attached thereto). Each Global Note shall represent such of the outstanding Notes as shall be specified therein and each shall provide that it shall represent the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby shall be made by the Trustee or the Note Custodian, at the direction of the Trustee, in accordance with instructions given by the Holder thereof as required by Section 2.06 hereof.

Notes offered and sold in reliance on Regulation S shall be issued initially in the form of the Regulation S Temporary Global Note (attached hereto as Exhibit A-2 and bearing the legend set forth in Section 2.06(g)(iii) hereof), which shall be deposited on behalf of the purchasers of the Notes represented thereby with the Trustee, at its New York office, as custodian for the Depositary, and registered in the name of the Depositary or the nominee of the Depositary for the accounts of designated agents holding on behalf of Euroclear or Cedel Bank, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The Restricted Period

shall be terminated upon the receipt by the Trustee of (i) a written certificate from the Depositary, together with copies of certificates from Euroclear and Cedel Bank certifying that they have received certification of non-United States beneficial ownership of 100% of the aggregate principal amount of the Regulation S Temporary Global Note (except to the extent of any beneficial owners thereof who acquired an interest therein during the Restricted Period pursuant to another exemption from registration under the Securities Act and who will take delivery of a beneficial ownership interest in a 144A Global Note or an IAI Global Note, all as contemplated by Section 2.06(a)(ii) hereof), and (ii) an Officers' Certificate from the Company. Following the termination of the Restricted Period, beneficial interests in the Regulation S Temporary Global Note shall be exchanged for beneficial interests in Regulation S Permanent Global Notes pursuant to the Applicable Procedures. Simultaneously with the authentication of Regulation S Permanent Global Notes, the Trustee shall cancel the Regulation S Temporary Global Note. The aggregate principal amount of the Regulation S Temporary Global Note and the Regulation S Permanent Global Notes may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee, as the case may be, in connection with transfers of interest as hereinafter provided.

The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "General Terms and Conditions of Cedel Bank" and "Customer Handbook" of Cedel Bank shall be applicable to interests in the Regulation S Temporary Global Note and the Regulation S Permanent Global Notes that are held by the Agent Members through Euroclear or Cedel Bank.

Section 2.02. Execution and Authentication.

Two Officers shall sign the Notes for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Notes and may be in facsimile form.

If an Officer whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid.

A Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture.

The Trustee shall, upon a written order of the Company signed by two Officers, authenticate Notes for original issue up to the aggregate principal amount stated in paragraph 4 of the Notes. The aggregate principal amount of Notes outstanding at any time may not exceed such amount except as provided in Section 2.07 hereof.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Notes. An authenticating agent may authenticate Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Company.

Section 2.03. Registrar and Paying Agent.

The Company shall maintain an office or agency where Notes may be presented for registration of transfer or for exchange ("Registrar") and an office or agency where Notes may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Notes and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company shall notify the Trustee in writing of the name and address of any Agent not a party to this Indenture. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depositary with respect to the Global Notes.

The Company initially appoints the Trustee to act as the Registrar and Paying Agent and to act as Note Custodian with respect to the Global Notes.

Section 2.04. Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal, premium or Liquidated Damages, if any, or interest on the Notes, and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Upon any bankruptcy or reorganization proceedings relating to the Company, the Trustee shall serve as Paying Agent for the Notes.

Section 2.05. Holder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least five Business Days before each interest payment date and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of the Holders of Notes and the Company shall otherwise comply with TIA Section 312(a).

Section 2.06. Transfer and Exchange.

(a) Transfer and Exchange of Global Notes. A Global Note may not be transferred as a whole except by the Depositary to a nominee of the

Depositary, by a nominee of the Depositary to the Depositary or to another nominee of the Depositary, or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary. All Global Notes will be exchanged by the Company for Definitive Notes if (i) the Company delivers to the Trustee notice from the Depositary that it is unwilling or unable to continue to act as Depositary or that it is no longer a clearing agency registered under the Exchange Act and, in either case, a successor Depositary is not appointed by the Company within 120 days after the date of such notice from the Depositary or (ii) the Company in its sole discretion determines that the Global Notes (in whole but not in part) should be exchanged for Definitive Notes and delivers a written notice to such effect to the Trustee; provided that in no event shall the Regulation S Temporary Global Note be exchanged by the Company for Definitive Notes prior to (x) the expiration of the Restricted Period and (y) the receipt by the Registrar of any certificates required pursuant to Rule 903 under the Securities Act. Upon the occurrence of either of the preceding events in (i) or (ii) above, Definitive Notes shall be issued in such names as the Depositary shall instruct the Trustee. Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.11 hereof. Every Note authenticated and made available for delivery in exchange for, or in lieu of, a Global Note or any portion thereof, pursuant to Section 2.07 or 2.11 hereof, shall be authenticated and made available for delivery in the form of, and shall be, a Global Note. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a), however beneficial interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b), (c) or (f) hereof.

(b) Transfer and Exchange of Beneficial Interests in the Global Notes. The transfer and exchange of beneficial interests in the Global Notes shall be effected through the Depositary, in accordance with the provisions of this Indenture and the procedures of the Depositary therefor. Beneficial interests in the Restricted Global Notes shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. The Trustee shall have no obligation to ascertain the Depositary's compliance with any such restrictions on transfer. Transfers of beneficial interests in the Global Notes also shall require compliance with either subparagraph (i) or (ii) below, as applicable, as well as one or more of the other following subparagraphs as applicable:

(i) Transfer of Beneficial Interests in the Same Global Note. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in the same Restricted Global Note in accordance with the transfer restrictions set forth in the Private Placement Legend; provided, however, that prior to the expiration of the Restricted Period transfers of beneficial interests in the Temporary Regulation S Global Note may not be made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Beneficial interests in any Unrestricted Global Note may be transferred only to Persons who take delivery thereof in the form of a beneficial interest in an Unrestricted Global Note. No written orders or instructions shall be required to be delivered to the Registrar to effect the transfers described in this Section 2.06(b)(i).

(ii) All Other Transfers and Exchanges of Beneficial Interests in Global Notes. In connection with all transfers and exchanges of beneficial interests (other than transfers of beneficial interests in a

Global Note to Persons who take delivery thereof in the form of a beneficial interest in the same Global Note), the transferor of such beneficial interest must deliver to the Registrar either (A) (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to credit or cause to be credited a beneficial interest in the specified Global Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given in accordance with the Applicable Procedures containing information regarding the Participant account to be credited with such increase or (B) (1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing the Depositary to cause to be issued a Definitive Note in an amount equal to the beneficial interest to be transferred or exchanged and (2) instructions given by the Depositary to the Registrar containing information regarding the Person in whose name such Definitive Note shall be registered to effect the transfer ore exchange referred to in (1) above; provided that in no event shall Definitive Notes be issued upon the transfer or exchange of beneficial interests in the Regulation S Temporary Global Note prior to (x) the expiration of the Restricted Period and (y) the receipt by the Registrar of any certificates required pursuant to Rule 903 under the Securities Act. Upon an Exchange Offer by the Company in accordance with Section 2.06(f) hereof, the requirements of this Section 2.06(b)(ii) shall be deemed to have been satisfied upon receipt by the Registrar of the instructions contained in the Letter of Transmittal delivered by the Holder of such beneficial interests in the Restricted Global Notes. Upon satisfaction of all of the requirements for transfer or exchange of beneficial interests in Global Notes contained in this Indenture, the Notes and otherwise applicable under the Securities Act, the Trustee shall adjust the principal amount of the relevant Global Note(s) pursuant to Section 2.06(h) hereof.

(iii) Transfer of Beneficial Interests to Another Restricted Global Note. Beneficial interests in any Restricted Global Note may be transferred to Persons who take delivery thereof in the form of a beneficial interest in another Restricted Global Note if the Registrar receives the following:

(A) if the transferee will take delivery in the form of a beneficial interest in the 144A Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transferee will take delivery in the form of a beneficial interest in the Regulation S Temporary Global Note or the Regulation S Global Note, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transferee will take delivery in the form of a beneficial interest in the IAI Global Note, then the transferor must deliver (x) a certificate in the form of Exhibit B hereto, including the certifications in item (3) thereof, (y) to the extent required by item 3(d) of Exhibit B hereto, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such transfer is in compliance with the Securities Act and such beneficial interest is being transferred in compliance with any

applicable blue sky securities laws of any State of the United States and (z) if the transfer is being made to an Institutional Accredited Investor and effected pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A under the Securities Act, Rule 144 under the Securities Act or Rule 904 under the Securities Act, a certificate from the transferee in the form of Exhibit D hereto.

(iv) Transfer and Exchange of Beneficial Interests in a Restricted Global Note for Beneficial Interests in the Unrestricted Global Note. Beneficial interests in any Restricted Global Note may be exchanged by any holder thereof for a beneficial interest in the Unrestricted Global Note or transferred to Persons who take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder, in the case of an exchange, or the transferee, in the case of a transfer, is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a beneficial interest in the Unrestricted Global Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof;

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof;

(3) in each such case set forth in this subparagraph (D), an Opinion of Counsel in form reasonably acceptable to the Registrar to the effect that such exchange or transfer is in compliance with the Securities Act, that the restrictions on transfer contained herein and in the Private Placement Legend are not required in order to maintain compliance with the Securities Act, and such beneficial interest is being exchanged or transferred in compliance with any applicable blue sky securities laws of any State of the United States.

If any such transfer is effected pursuant to subparagraph (B) or (D) above at a time when an Unrestricted Global Note has not yet been

issued, the Company shall issue and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of beneficial interests transferred pursuant to subparagraph (B) or (D) above.

Beneficial interests in an Unrestricted Global Note cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, a beneficial interest in any Restricted Global Note.

(c) Transfer or Exchange of Beneficial Interests for Definitive Notes.

(i) If any holder of a beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon receipt by the Registrar of the following documentation (all of which may be submitted by facsimile):

(A) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Definitive Note, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (2)(a) thereof;

(B) if such beneficial interest is being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such beneficial interest is being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 904 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such beneficial interest is being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such beneficial interest is being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(d) thereof, a certificate from the transferee to the effect set forth in Exhibit D hereof and, to the extent required by item 3(d) of Exhibit B, an Opinion of Counsel from the transferee or the transferor reasonably acceptable to the Company to the effect that such transfer is in compliance with the Securities Act and such beneficial interest is being transferred in compliance with any applicable blue sky securities laws of any State of the United States;

(F) if such beneficial interest is being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such beneficial interest is being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Definitive Notes issued in exchange for beneficial interests in a Restricted Global Note pursuant to this Section 2.06(c) shall be registered in such names and in such authorized denominations as the holder shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Definitive Notes issued in exchange for a beneficial interest in a Restricted Global Note pursuant to this Section 2.06(c)(i) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(ii) Notwithstanding Sections 2.06(c)(i)(A) and (C) hereof, a beneficial interest in the Regulation S Temporary Global Note may not be (A) exchanged for a Definitive Note prior to (x) the expiration of the Restricted Period and (y) the receipt by the Registrar of any certificates required pursuant to Rule 903 under the Securities Act or (B) transferred to a Person who takes delivery thereof in the form of a Definitive Note prior to the conditions set forth in clause (A) above or unless the transfer is pursuant to an exemption from the registration requirements of the Securities Act other than Rule 903 or Rule 904.

(ii) Notwithstanding 2.06(c)(i), a holder of a beneficial interest in a Restricted Global Note may exchange such beneficial interest for an Unrestricted Definitive Note or may transfer such beneficial interest to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the holder, in the case of an exchange, or the transferee, in the case of a transfer, is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the holder of such beneficial interest in a Restricted Global Note proposes to exchange such beneficial interest for a Definitive Note that does not bear the Private Placement Legend, a certificate from such holder in the form of Exhibit C hereto, including the certifications in item (1)(b) thereof;

(2) if the holder of such beneficial interest in a Restricted Global Note proposes to transfer such beneficial interest to a Person who shall take delivery thereof in the form of a Definitive Note that does not bear the Private Placement Legend, a certificate from such holder in the form of Exhibit B hereto, including the certifications in item (4) thereof; and

(3) in each such case set forth in this subparagraph (D), an Opinion of Counsel in form reasonably acceptable to the Company, to the effect that such exchange or transfer is in compliance with the Securities Act, that the restrictions on transfer contained herein and in the Private Placement Legend are not required in order to maintain compliance with the Securities Act, and such beneficial interest in a Restricted Global Note is being exchanged or transferred in compliance with any applicable blue sky securities laws of any State of the United States.

(iii) If any holder of a beneficial interest in an Unrestricted Global Note proposes to exchange such beneficial interest for a Definitive Note or to transfer such beneficial interest to a Person who takes delivery thereof in the form of a Definitive Note, then, upon satisfaction of the conditions set forth in Section 2.06(b)(ii), the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(h) hereof, and the Company shall execute and the Trustee shall authenticate and deliver to the Person designated in the instructions a Definitive Note in the appropriate principal amount. Definitive Notes issued in exchange for a beneficial interest pursuant to this Section 2.06(c)(iii) shall be registered in such names and in such authorized denominations as the holder shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Trustee shall deliver such Definitive Notes to the Persons in whose names such Notes are so registered. Definitive Notes issued in exchange for a beneficial interest pursuant to this section 2.06(c)(iii) shall not bear the Private Placement Legend. Beneficial interests in an Unrestricted Global Note cannot be exchanged for a Definitive Note bearing the Private Placement Legend or transferred to a Person who takes delivery thereof in the form of a Definitive Note bearing the Private Placement Legend.

(d) Transfer or Exchange of Definitive Notes for Beneficial Interests.

(i) If any Holder of Restricted Definitive Notes proposes to exchange such Notes for a beneficial interest in a Restricted Global Note or to transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in a Restricted Global

Note, then, upon receipt by the Registrar of the following documentation (all of which may be submitted by facsimile):

(A) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for a beneficial interest in a Restricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (2)(b) thereof;

(B) if such Definitive Notes are being transferred to a QIB in accordance with Rule 144A under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (1) thereof;

(C) if such Definitive Notes are being transferred to a Non-U.S. Person in an offshore transaction in accordance with Rule 904 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (2) thereof;

(D) if such Definitive Notes are being transferred pursuant to an exemption from the registration requirements of the Securities Act in accordance with Rule 144 under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(a) thereof;

(E) if such Definitive Notes are being transferred to an Institutional Accredited Investor in reliance on an exemption from the registration requirements of the Securities Act other than those listed in subparagraphs (B) through (D) above, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(d) thereof, a certificate from the transferee to the effect set forth in Exhibit D hereof and, to the extent required by item 3(d) of Exhibit B, an Opinion of Counsel from the transferee or the transferor reasonably acceptable to the Company to the effect that such transfer is in compliance with the Securities Act and such Definitive Notes are being transferred in compliance with any applicable blue sky securities laws of any State of the United States;

(F) if such Definitive Notes are being transferred to the Company or any of its Subsidiaries, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(b) thereof; or

(G) if such Definitive Notes are being transferred pursuant to an effective registration statement under the Securities Act, a certificate to the effect set forth in Exhibit B hereto, including the certifications in item (3)(c) thereof,

the Trustee shall cancel the Definitive Notes, increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Restricted Global Note, in the case of clause (B) above, the 144A Global Note, in the case of clause (C) above, the Regulation S Global Note, and in all other cases, the IAI Global Note.

(ii) A Holder of Restricted Definitive Notes may exchange such Notes for a beneficial interest in the Unrestricted Global Note or

transfer such Restricted Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in the Unrestricted Global Note only if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement and the Holder, in the case of an exchange, or the transferee, in the case of a transfer, is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such Definitive Notes proposes to exchange such Notes for a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(c) thereof;

(2) if the Holder of such Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of a beneficial interest in the Unrestricted Global Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof; and

(3) in each such case set forth in this subparagraph (D), an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such exchange or transfer is in compliance with the Securities Act, that the restrictions on transfer contained herein and in the Private Placement Legend are not required in order to maintain compliance with the Securities Act, and such Definitive Notes are being exchanged or transferred in compliance with any applicable blue sky securities laws of any State of the United States.

Upon satisfaction of the conditions of any of the subparagraphs in this Section 2.06(d)(ii), the Trustee shall cancel the Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

(iii) A Holder of Unrestricted Definitive Notes may exchange such Notes for a beneficial interest in the Unrestricted Global Note or transfer such Definitive Notes to a Person who takes delivery thereof in the form of a beneficial interest in the Unrestricted Global Note. Upon receipt of a request for such an exchange or transfer, the Trustee shall cancel the Unrestricted Definitive Notes and increase or cause to be increased the aggregate principal amount of the Unrestricted Global Note.

If any such exchange or transfer from a Definitive Note to a beneficial interest is effected pursuant to subparagraphs (ii)(B), (ii)(D) or (iii) above at a time when an Unrestricted Global Note has not yet been issued, the Company shall issue and, upon receipt of an authentication order in accordance with Section 2.02 hereof, the Trustee shall authenticate one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of beneficial interests transferred pursuant to subparagraphs (ii)(B), (ii)(D) or (iii) above.

(e) Transfer and Exchange of Definitive Notes. Upon request by a Holder of Definitive Notes and such Holder's compliance with the provisions of this Section 2.06(e), the Registrar shall register the transfer or exchange of Definitive Notes. Prior to such registration of transfer or exchange, the requesting Holder shall present or surrender to the Registrar the Definitive Notes duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Registrar duly executed by such Holder or by his attorney, duly authorized in writing. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, pursuant to the provisions of this Section 2.06(e).

(i) Restricted Definitive Notes may be transferred to and registered in the name of Persons who take delivery thereof if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A under the Securities Act, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (1) thereof;

(B) if the transfer will be made pursuant to Rule 904, then the transferor must deliver a certificate in the form of Exhibit B hereto, including the certifications in item (2) thereof; and

(C) if the transfer will be made pursuant to any other exemption from the registration requirements of the Securities Act, then the transferor must deliver (x) a certificate in the form of Exhibit B hereto, including the certifications in item (3) thereof, (y) to the extent required by item 3(d) of Exhibit B hereto, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such transfer is in compliance with the Securities Act and such beneficial interest is being transferred in compliance with any applicable blue sky securities laws of any State of the United States and (z) if the transfer is being made to an Institutional Accredited Investor and effected pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A under the Securities Act, Rule 144 under the Securities Act or Rule 904 under the Securities Act, a certificate from the transferee in the form of Exhibit D hereto.

(ii) Restricted Definitive Notes may be exchanged by any Holder thereof for an Unrestricted Definitive Note or transferred to Persons who take delivery thereof in the form of an Unrestricted Definitive Note if:

(A) such exchange or transfer is effected pursuant to the Exchange Offer in accordance with the Registration Rights Agreement

and the holder, in the case of an exchange, or the transferee, in the case of a transfer, is not (1) a broker-dealer, (2) a Person participating in the distribution of the Exchange Notes or (3) a Person who is an affiliate (as defined in Rule 144) of the Company;

(B) any such transfer is effected pursuant to the Shelf Registration Statement in accordance with the Registration Rights Agreement;

(C) any such transfer is effected by a Participating Broker-Dealer pursuant to the Exchange Offer Registration Statement in accordance with the Registration Rights Agreement; or

(D) the Registrar receives the following:

(1) if the Holder of such Restricted Definitive Notes proposes to exchange such Notes for an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit C hereto, including the certifications in item (1)(a) thereof;

(2) if the Holder of such Restricted Definitive Notes proposes to transfer such Notes to a Person who shall take delivery thereof in the form of an Unrestricted Definitive Note, a certificate from such Holder in the form of Exhibit B hereto, including the certifications in item (4) thereof; and

(3) in each such case set forth in this subparagraph (D), an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such exchange or transfer is in compliance with the Securities Act, that the restrictions on transfer contained herein and in the Private Placement Legend are not required in order to maintain compliance with the Securities Act, and such Restricted Definitive Note is being exchanged or transferred in compliance with any applicable blue sky securities laws of any State of the United States.

(iii) A Holder of Unrestricted Definitive Notes may transfer such Notes to a Person who takes delivery thereof in the form of an Unrestricted Definitive Note. Upon receipt of a request for such a transfer, the Registrar shall register the Unrestricted Definitive Notes pursuant to the instructions from the Holder thereof. Unrestricted Definitive Notes cannot be exchanged for or transferred to Persons who take delivery thereof in the form of a Restricted Definitive Note.

(f) Exchange Offer. Upon the occurrence of the Exchange Offer in accordance with the Registration Rights Agreement, the Company shall issue and, upon receipt of an authentication order in accordance with Section 2.02, the Trustee shall authenticate (i) one or more Unrestricted Global Notes in an aggregate principal amount equal to the principal amount of the beneficial interests in the Restricted Global Notes tendered for acceptance by persons that are not (x) broker-dealers, (y) Persons participating in the distribution of the Exchange Notes or (z) Persons who are affiliates (as defined in Rule 144) of the Company and accepted for exchange in the exchange Offer and (ii) Definitive Notes in an aggregate principal amount equal to the principal amount of the Restricted Definitive Notes accepted for exchange in the Exchange Offer. Concurrent with the issuance of such Notes, the Trustee shall cause the aggregate principal amount of the applicable Restricted

Global Notes to be reduced accordingly, and the Company shall execute and the Trustee shall authenticate and make available for delivery to the Persons designated by the Holders of Definitive Notes so accepted Definitive Notes in the appropriate principal amount.

(g) Legends. The following legends shall appear on the face of all Global Notes and Definitive Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(i) Private Placement Legend.

(A) Except as permitted by subparagraph (b) below, each Global Note and each Definitive Note (and all Notes issued in exchange therefor or substitution thereof) shall bear the legend in substantially the following form:

"THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE."

(B) Notwithstanding the foregoing, any Global Note or Definitive Note issued pursuant to subparagraphs (b)(iv), (c)(ii), (c)(iii), (d)(ii), (d)(iii), (e)(ii), (e)(iii) or (f) to this Section 2.06 (and all Notes issued in exchange therefor or substitution thereof) shall not bear the Private Placement Legend.

(ii) Global Note Legend. Each Global Note shall bear a legend in substantially the following form:

"THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY

MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.07 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY."

(iii) Regulation S Temporary Global Note Legend. The Regulation S Temporary Global Note shall bear a legend in substantially the following form:

"THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON."

(h) Cancellation and/or Adjustment of Global Notes. At such time as all beneficial interests in a particular Global Note have been exchanged for Definitive Notes or a particular Global Note has been redeemed, repurchased or cancelled in whole and not in part, each such Global Note shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.11 hereof. At any time prior to such cancellation, if any beneficial interest in a Global Note is exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note or for Definitive Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note, by the Trustee or by the Depositary at the direction of the Trustee, to reflect such reduction; and if the beneficial interest is being exchanged for or transferred to a Person who will take delivery thereof in the form of a beneficial interest in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note, by the Trustee or by the Depositary at the direction of the Trustee, to reflect such increase.

(i) General Provisions Relating to Transfers and Exchanges.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Global Notes and Definitive Notes upon the Company's order or at the Registrar's request.

(ii) No service charge shall be made to a holder of a beneficial interest in a Global Note or to a Holder of a Definitive Note for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.10, 3.06, 4.10, 4.15 and 9.05 hereof).

(iii) The Registrar shall not be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(iv) All Global Notes and Definitive Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Notes surrendered upon such registration of transfer or exchange.

(v) The Company shall not be required (A) to issue, to register the transfer of or to exchange Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption under Section 3.02 hereof and ending at the close of business on the day of selection, (B) to register the transfer of or to exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part or (C) to register the transfer of or to exchange a Note between a record date and the next succeeding Interest Payment Date.

(vi) Prior to due presentment for the registration of a transfer of any Note, the Trustee, any Agent and the Company may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of and interest on such Notes and for all other purposes, and none of the Trustee, any Agent or the Company shall be affected by notice to the contrary.

(vii) The Trustee shall authenticate Global Notes and Definitive Notes in accordance with the provisions of Section 2.02 hereof.

Section 2.07. Replacement Notes.

If any mutilated Note is surrendered to the Trustee, or the Company and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Company shall issue and the Trustee, upon the written order of the Company signed by two Officers of the Company, shall authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Company, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Company may charge for its expenses in replacing a Note.

Every replacement Note is an additional obligation of the Company and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

Section 2.08. Outstanding Notes.

The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section as not outstanding. Except as set forth in Section 2.09 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

If a Note is replaced pursuant to Section 2.07 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a bona fide purchaser.

If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

If the Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) holds, on a redemption date or maturity date, money sufficient to pay Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

Section 2.09. Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, waiver or consent, Notes owned by the Company, or by any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Notes that a Trustee knows are so owned shall be so disregarded.

Section 2.10. Temporary Notes.

Until definitive Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Notes upon a written order of the Company signed by two Officers of the Company. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Company considers appropriate for temporary Notes and as shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Notes in exchange for temporary Notes.

Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

Section 2.11. Cancellation.

The Company at any time may deliver Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else shall cancel all Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy cancelled Notes (subject to the record retention requirement of the Exchange Act). Certification of the destruction of all cancelled Notes shall be delivered to the Company. The Company may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation.

Section 2.12. Defaulted Interest.

If the Company defaults in a payment of interest on the Notes, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest payable on the defaulted interest, to the Persons who are

Holders on a subsequent special record date, in each case at the rate provided in the Notes and in Section 4.01 hereof. The Company shall notify the Trustee in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Company shall fix or cause to be fixed each such special record date and payment date, provided that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Company (or, upon the written request of the Company, the Trustee in the name and at the expense of the Company) shall mail or cause to be mailed to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

Section 2.13. CUSIP Numbers.

The Company in issuing the Notes may use CUSIP numbers (if then generally in use), and, if so, the Trustee shall use CUSIP numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

ARTICLE 3
REDEMPTION AND PREPAYMENT

Section 3.01. Notices to Trustee.

If the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof, it shall furnish to the Trustee, at least 30 days but not more than 60 days before a redemption date, an Officers' Certificate setting forth (i) the clause of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Notes to be redeemed and (iv) the redemption price.

Section 3.02. Selection of Notes to Be Redeemed.

If less than all of the Notes are to be redeemed at any time, selection of Notes for redemption shall be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed, or, if the Notes are not so listed, on a pro rata basis, by lot or by such method as the Trustee shall deem fair and appropriate; provided that no Notes of $1,000 or less shall be redeemed in part. Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address. Notices of redemption may not be conditional. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof shall be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Note selected for

partial redemption, the principal amount thereof to be redeemed. Notes and portions of Notes selected shall be in amounts of $1,000 or whole multiples of $1,000; except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of Notes held by such Holder, even if not a multiple of $1,000, shall be redeemed. Except as provided in the preceding sentence, provisions of this Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

Section 3.03. Notice of Redemption.

Subject to the provisions of Section 3.09 hereof, at least 30 days but not more than 60 days before a redemption date, the Company shall mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address.

The notice shall identify the Notes to be redeemed (including CUSIP Numbers, if any) and shall state:

(a) the redemption date;

(b) the redemption price;

(c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the redemption date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;

(d) the name and address of the Paying Agent;

(e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(f) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the redemption date;

(g) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(h) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense; provided, however, that the Company shall have delivered to the Trustee, at least 45 days prior to the redemption date, an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph.

Section 3.04. Effect of Notice of Redemption.

Once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the

redemption date at the redemption price. A notice of redemption may not be conditional.

Section 3.05. Deposit of Redemption Price.

Prior to 11:00 a.m. on the Business Day prior to the redemption date, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the redemption price of and accrued interest on all Notes to be redeemed on that date. The Trustee or the Paying Agent shall promptly return to the Company any money deposited with the Trustee or the Paying Agent by the Company in excess of the amounts necessary to pay the redemption price of, and accrued interest on, all Notes to be redeemed.

If the Company complies with the provisions of the preceding paragraph, on and after the redemption date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption. If a Note is redeemed on or after an interest record date but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Company to comply with the preceding paragraph, interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful on any interest not paid on such unpaid principal, in each case at the rate provided in the Notes and in Section 4.01 hereof.

Section 3.06. Notes Redeemed in Part.

Upon surrender of a Note that is redeemed in part, the Company shall issue and, upon the Company's written request, the Trustee shall authenticate for the Holder at the expense of the Company a new Note equal in principal amount to the unredeemed portion of the Note surrendered.

Section 3.07. Optional Redemption.

(a) Except as set forth in clause (b) of this Section 3.7, the Notes shall not be redeemable at the Company's option prior to May 1, 2002. Thereafter, the Notes shall be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on May 1 of the years indicated below:

Year	Percentage
2002	105.188%
2003	103.458%
2004	101.729%
2005 and thereafter	100.000%

(b) Notwithstanding the foregoing clause (a), during the first 36 months after the Issue Date, the Company may on any one or more occasions redeem up to an aggregate of 35% of the Notes originally issued at a redemption price of 109.375% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the redemption

date, with the net cash proceeds of one or more Equity Offerings by the Company or the net cash proceeds of one or more Equity Offerings by Holdings that are contributed to the Company as common equity capital; provided that at least 65% of the Notes originally issued remain outstanding immediately after the occurrence of each such redemption; and provided, further, that any such redemption must occur within 120 days of the date of the closing of such Equity Offering.

Section 3.08. Mandatory Redemption.

Except as set forth under Sections 4.10 and 4.15, the Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Section 3.09. Offer to Purchase by Application of Excess Proceeds.

In the event that, pursuant to Section 4.10 hereof, the Company shall be required to commence an offer to all Holders to purchase Notes (an "Asset Sale Offer"), it shall follow the procedures specified below.

The Asset Sale Offer shall remain open for a period of 20 Business Days following its commencement and no longer, except to the extent that a longer period is required by applicable law (the "Offer Period"). No later than five Business Days after the termination of the Offer Period (the "Purchase Date"), the Company shall purchase the principal amount of Notes required to be purchased pursuant to Section 4.10 hereof (the "Offer Amount") or, if less than the Offer Amount has been tendered, all Notes tendered in response to the Asset Sale Offer. Payment for any Notes so purchased shall be made in the same manner as interest payments are made.

If the Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest shall be paid to the Person in whose name a Note is registered at the close of business on such record date, and no additional interest shall be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

Upon the commencement of an Asset Sale Offer, the Company shall send, by first class mail, a notice to the Trustee and each of the Holders, with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The Asset Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Asset Sale Offer, shall state:

(a) that the Asset Sale Offer is being made pursuant to this Section 3.09 and Section 4.10 hereof and the length of time the Asset Sale Offer shall remain open;

(b) the Offer Amount, the purchase price and the Purchase Date;

(c) that any Note not tendered or accepted for payment shall continue to accrete or accrue interest;

(d) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrete or accrue interest after the Purchase Date;

(e) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may only elect to have all of such Note purchased and may not elect to have only a portion of such Note purchased;

(f) that Holders electing to have a Note purchased pursuant to any Asset Sale Offer shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Company, a depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(g) that Holders shall be entitled to withdraw their election if the Company, the depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(h) that, if the aggregate principal amount of Notes surrendered by Holders exceeds the Offer Amount, the Company shall select the Notes to be purchased on a pro rata basis (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of $1,000, or integral multiples thereof, shall be purchased); and

(i) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

On or before the Purchase Date, the Company shall, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and shall deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.09. The Company, the Depositary or the Paying Agent, as the case may be, shall promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company shall promptly issue a new Note, and the Trustee, upon written request from the Company shall authenticate and mail or deliver such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company shall publicly announce the results of the Asset Sale Offer on the Purchase Date.

Other than as specifically provided in this Section 3.09, any purchase pursuant to this Section 3.09 shall be made pursuant to the provisions of Sections 3.01 through 3.06 hereof.

ARTICLE 4
COVENANTS

Section 4.01. Payment of Notes.

The Company shall pay or cause to be paid the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes. Principal, premium, if any, and interest shall be considered paid on the date due if the Paying Agent, if other than the Company or a Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due. The Company shall pay all Liquidated Damages, if any, in the same manner on the dates and in the amounts set forth in the Registration Rights Agreement.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the applicable interest rate on the Notes to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace period) at the same rate to the extent lawful.

Section 4.02. Maintenance of Office or Agency.

The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency (which may be an office of the Trustee or an affiliate of the Trustee, Registrar or co-registrar) where Notes may be surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03.

Section 4.03. Reports.

Whether or not required by the rules and regulations of the Securities and Exchange Commission (the "Commission"), so long as any Notes are outstanding, the Company shall furnish to the Holders of Notes:

(a) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such Forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operations of the Company and its consolidated Subsidiaries (showing in reasonable detail, either on the face of the financial statements or in the footnotes thereto and in Management's Discussion and Analysis of Financial Condition and Results of Operations, the financial condition and results of operations of the Company and its Restricted Subsidiaries separately from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company) and, with respect to the annual information only, a report thereon by the Company's certified independent accountants, and

(b) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports, in each case within the time periods specified in the Commission's rules and regulations.

In addition, whether or not required by the rules and regulations of the Commission, following the consummation of the Exchange Offer contemplated by the Registration Rights Agreement, the Company shall file a copy of all such information and reports with the Commission for public availability within the time periods set forth in the Commission's rules and regulations (unless the Commission will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, the Company and the Subsidiary Guarantors have agreed that, for so long as any Notes remain outstanding and are required to bear the Private Placement Legend, they shall furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Subject to the provisions of Article 7, delivery of such reports, information and documents to the Trustee is for informational proposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 4.04. Compliance Certificate.

(a) The Company shall deliver to the Trustee, within 90 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Company is taking or proposes to take with

respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of or interest, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Company is taking or proposes to take with respect thereto.

(b) So long as not contrary to the then current recommendations of the American Institute of Certified Public Accountants, the year-end financial statements delivered pursuant to Section 4.03(a) above shall be accompanied by a written statement of the Company's independent public accountants (who shall be a firm of established national reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Company has violated any provisions of Article 4 or Article 5 hereof or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(c) The Company shall, so long as any of the Notes are outstanding, deliver to the Trustee, as soon as possible and in any event within five Business Days after any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Section 4.05. Taxes.

The Company shall pay, and shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

Section 4.06.

Intentionally omitted.

Section 4.07. Restricted Payments.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly: (i) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than (A) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or (B) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Restricted Subsidiary, the Company or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities); (ii) purchase, redeem or otherwise acquire or retire for value (including without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company

or any direct or indirect parent of the Company; (iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated to the Notes except a payment of interest or principal at Stated Maturity; or (iv) make any Restricted Investment (all such payments and other actions set forth in clauses (i) through (iv) above being collectively referred to as "Restricted Payments"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof; and

(b) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 4.09; and

(c) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (ii) through (vii) of the next succeeding paragraph), is less than the sum of (i) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), plus (ii) 100% of the aggregate net cash proceeds received by the Company from a contribution to its common equity capital or the issue or sale since the Issue Date of Equity Interests of the Company (other than Disqualified Stock) or of Disqualified Stock or debt securities of the Company that have been converted into such Equity Interests (other than Equity Interests (or Disqualified Stock or convertible debt securities) sold to a Subsidiary of the Company and other than Disqualified Stock or convertible debt securities that have been converted into Disqualified Stock), plus (iii) to the extent that any Restricted Investment that was made after the Issue Date is sold for cash or otherwise liquidated or repaid for cash, the amount of cash received in connection therewith (or from the sale of Marketable Securities received in connection therewith), plus (iv) to the extent not already included in such Consolidated Net Income of the Company for such period and without duplication, (A) 100% of the aggregate amount of cash received as a dividend from an Unrestricted Subsidiary, (B) 100% of the cash received upon the sale of Marketable Securities received as a dividend from an Unrestricted Subsidiary, and (C) 100% of the net assets of any Unrestricted Subsidiary on the date that it becomes a Restricted Subsidiary.

The foregoing provisions shall not prohibit: (i) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of this Indenture; (ii) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness or Equity Interests of the Company in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other Equity

Interests of the Company (other than any Disqualified Stock); provided that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (c) (ii) of the preceding paragraph; (iii) the defeasance, redemption, repurchase or other acquisition of subordinated Indebtedness (other than intercompany Indebtedness) in exchange for, or with the net cash proceeds from an incurrence of, Permitted Refinancing Indebtedness; (iv) the repurchase, retirement or other acquisition or retirement for value of common Equity Interests of the Company or Holdings held by any future, present or former employee, director or consultant of the Company or any Subsidiary or Holdings issued pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement; provided, however, that the aggregate amount of Restricted Payments made under this clause (iv) does not exceed $1.5 million in any calendar year and provided further that cancellation of Indebtedness owing to the Company from members of management of the Company or any of its Restricted Subsidiaries in connection with a repurchase of Equity Interests of the Company shall not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of this Indenture; (v) repurchases of Equity Interests deemed to occur upon exercise of stock options upon surrender of Equity Interests to pay the exercise price of such options; (vi) payments to Holdings (A) in amounts equal to the amounts required for Holdings to pay franchise taxes and other fees required to maintain its legal existence and provide for other operating costs of up to $500,000 per fiscal year and (B) in amounts equal to amounts required for Holdings to pay federal, state and local income taxes to the extent such income taxes are actually due and owing; provided that the aggregate amount paid under this clause (B) does not exceed the amount that the Company would be required to pay in respect of the income of the Company and its Subsidiaries if the Company were a stand alone entity that was not owned by Holdings; and (vii) other Restricted Payments in an aggregate amount since the Issue Date not to exceed $20.0 million.

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default. For purposes of making such determination, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid in cash) in the Subsidiary so designated shall be deemed to be Restricted Payments at the time of such designation and shall reduce the amount available for Restricted Payments under the first paragraph of this covenant. All such outstanding Investments shall be deemed to constitute Investments in an amount equal to the fair market value of such Investments at the time of such designation. Such designation shall only be permitted if such Restricted Payment would be permitted at such time and if such Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any non-cash Restricted Payment shall be determined by the Board of Directors whose resolution with respect thereto shall be delivered to the Trustee. Not later than the date of making any Restricted Payment, the Company shall deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by Section 4.07 were computed.

Section 4.08. Dividend and Other Payment Restrictions Affecting Subsidiaries.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to (i)(A) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries (1) on its Capital Stock or (2) with respect to any other interest or participation in, or measured by, its profits, or (B) pay any indebtedness owed to the Company or any of its Restricted Subsidiaries, (ii) make loans or advances to the Company or any of its Restricted Subsidiaries, or (iii) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries, except for such encumbrances or restrictions existing under or by reason of (A) the provisions of security agreements that restrict the transfer of assets that are subject to a Lien created by such security agreements, (B) the provisions of agreements governing Indebtedness incurred pursuant to clause (v) of the second paragraph of Section 4.09, (C) this Indenture and the Notes, (D) applicable law, (E) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred, (F) by reason of customary non-assignment provisions in leases entered into in the ordinary course of business and consistent with past practices, (G) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in this clause (iii) on the property so acquired, (H) Permitted Refinancing Indebtedness, provided that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive than those contained in the agreements governing the Indebtedness being refinanced, (I) contracts for the sale of assets, including, without limitation, customary restrictions with respect to a Subsidiary pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Subsidiary, (J) agreements relating to secured Indebtedness otherwise permitted to be incurred pursuant to 4.09 and 4.12 that limit the right of the debtor to dispose of the assets securing such Indebtedness, (K) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business, or (L) customary provisions in joint venture agreements and other similar agreements entered into in the ordinary course of business.

Section 4.09. Incurrence of Indebtedness and Issuance of Preferred Stock.

The Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "incur") any Indebtedness (including Acquired Debt) and that the Company shall not issue any Disqualified Stock and shall not permit any of its Subsidiaries to issue any shares of preferred stock; provided, however, that the Company and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt) or issue shares of preferred stock if the Fixed Charge Coverage Ratio for the Company's most recently ended four

full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such preferred stock is issued would have been at least 2.0 to 1.0, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been incurred, or the preferred stock had been issued, as the case may be, at the beginning of such four-quarter period.

The provisions of the first paragraph of this Section 4.09 shall not apply to the incurrence of any of the following items of Indebtedness (collectively, "Permitted Debt"):

(i) the incurrence by the Company of term Indebtedness under Credit Facilities (and the guarantee thereof by the Guarantors); provided that the aggregate principal amount of all term Indebtedness outstanding under all Credit Facilities after giving effect to such incurrence, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (i), does not exceed an amount equal to $175.0 million less the aggregate amount of all repayments, optional or mandatory, of the principal of any Indebtedness under a Credit Facility (or any such Permitted Refinancing Indebtedness) that have been made since the Issue Date;

(ii) the incurrence by the Company of revolving credit Indebtedness and letters of credit (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) under Credit Facilities (and the guarantee thereof by the Guarantors); provided that the aggregate principal amount of all revolving credit Indebtedness outstanding under all Credit Facilities after giving effect to such incurrence, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (ii), does not exceed an amount equal to $100.0 million less the aggregate amount of all Net Proceeds of Asset Sales applied to repay any such Indebtedness (including any such Permitted Refinancing Indebtedness) pursuant to Section 4.10;

(iii) the incurrence by the Company and its Restricted Subsidiaries of the Existing Indebtedness;

(iv) the incurrence by the Company and the Guarantors of the Notes and the Subsidiary Guarantees;

(v) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or such Restricted Subsidiary, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (v), not to exceed $30.0 million at any time outstanding;

(vi) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in connection with the acquisition of

assets or a new Restricted Subsidiary; provided that such Indebtedness was incurred by the prior owner of such assets or such Restricted Subsidiary prior to such acquisition by the Company or one of its Restricted Subsidiaries and was not incurred in connection with, or in contemplation of, such acquisition by the Company or one of its Restricted Subsidiaries; and provided further that the principal amount (or accreted value, as applicable) of such Indebtedness, together with any other outstanding Indebtedness incurred pursuant to this clause (vi), does not exceed $10.0 million;

(vii) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace, Indebtedness that was permitted by this Indenture to be incurred;

(viii) Indebtedness incurred by the Company or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business in respect of workers' compensation claims or self-insurance, or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims; provided, however, that upon the drawing of such letters of credit or the incurrence of such Indebtedness, such obligations are reimbursed within 30 days following such drawing or incurrence;

(ix) Indebtedness arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; provided, however, that (A) such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet shall not be deemed to be reflected on such balance sheet for purposes of this clause (A)) and (B) the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds including noncash proceeds (the fair market value of such noncash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(x) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; provided, however, that (A) if the Company is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes and (B)(1) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or one of its Restricted Subsidiaries and (2) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or one of its Restricted Subsidiaries shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be;

(xi) the incurrence by the Company or any of the Guarantors of Hedging Obligations that are incurred for the purpose of (A) fixing, hedging or capping interest rate risk with respect to any floating rate Indebtedness that is permitted by the terms of this Indenture to be outstanding or (B) protecting the Company and its Restricted Subsidiaries against changes in currency exchange rates;

(xii) the guarantee by the Company or any of the Guarantors of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this Section 4.09;

(xiii) the incurrence by the Company's Unrestricted Subsidiaries of Non-Recourse Debt, provided, however, that if any such Indebtedness ceases to be Non-Recourse Debt of an Unrestricted Subsidiary, such event shall be deemed to constitute an incurrence of Indebtedness by a Restricted Subsidiary of the Company that was not permitted by this clause (xiii), and the issuance of preferred stock by Unrestricted Subsidiaries;

(xiv) obligations in respect of performance and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiaries in the ordinary course of business; and

(xv) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any other Indebtedness incurred pursuant to this clause (xv), not to exceed $50.0 million.

For purposes of determining compliance with this Section 4.09, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (i) through (xv) above or is entitled to be incurred pursuant to the first paragraph of this Section 4.09, the Company shall, in its sole discretion, classify such item of Indebtedness in any manner that complies with this covenant. Accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness shall not be deemed to be an incurrence of Indebtedness for purposes of this Section 4.09.

Section 4.10. Asset Sales.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless (i) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the fair market value (evidenced by a resolution of the Board of Directors set forth in an Officers' Certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of and (ii) at least 80% of the consideration therefor received by the Company or such Restricted Subsidiary, as the case may be, consists of cash, Cash Equivalents and/or Marketable Securities; provided, however, that (A) the amount of any Senior Debt of the Company or such Restricted Subsidiary that is assumed by the transferee in any such transaction and (B) any consideration received by the Company or such Restricted Subsidiary, as the case may be, that consists of (1) all or substantially all of the assets of one or more Similar Businesses, (2) other

long-term assets that are used or useful in one or more Similar Businesses and (3) Permitted Securities shall be deemed to be cash for purposes of this provision.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company may apply such Net Proceeds, at its option, (i) to repay Indebtedness under a Credit Facility, or (ii) to the acquisition of Permitted Securities, all or substantially all of the assets of one or more Similar Businesses, or the making of a capital expenditure or the acquisition of other long-term assets in a Similar Business. Pending the final application of any such Net Proceeds, the Company may temporarily reduce Indebtedness under a Credit Facility or otherwise invest such Net Proceeds in any manner that is not prohibited by this Indenture. Any Net Proceeds from Asset Sales that are not applied or invested as provided in the first sentence of this paragraph shall be deemed to constitute "Excess Proceeds". When the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company shall be required to make an offer to all Holders of Notes (an "Asset Sale Offer") to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase, in accordance with the procedures set forth in this Indenture. To the extent that the aggregate amount of Notes tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

Section 4.11. Transactions with Affiliates.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "Affiliate Transaction"), unless (i) such Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person and (ii) the Company delivers to the Trustee (A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $3.0 million, a resolution of the Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (i) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors and (B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $10.0 million, an opinion as to the fairness to the Holders of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of national standing.

The foregoing provisions shall not prohibit: (i) any employment agreement entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business; (ii) any transaction with a Lehman

Investor; (iii) any transaction between or among the Company and/or its Restricted Subsidiaries; (iv) transactions between the Company or any of its Restricted Subsidiaries, on the one hand, and Lockheed Martin or any of its Subsidiaries, on the other hand, on terms that are not materially less favorable to the Company or the applicable Restricted Subsidiary of the Company than those that could have been obtained from an unaffiliated third party; provided that (A) in the case of any such transaction or series of related transactions pursuant to this clause (iv) involving aggregate consideration in excess of $1.0 million but less than $25.0 million, such transaction or series of transactions (or the agreement pursuant to which the transactions were executed) was approved by the Company's Chief Executive Officer or Chief Financial Officer and (B) in the case of any such transaction or series of related transactions pursuant to this clause (iv) involving aggregate consideration equal to or in excess of $25.0 million, such transaction or series of related transactions (or the agreement pursuant to which the transactions were executed) was approved by a majority of the disinterested members of the Board of Directors; (v) any transaction pursuant to and in accordance with the provisions of the Transaction Documents as the same are in effect on the Issue Date; and (vi) any Restricted Payment that is permitted by the provisions of Section 4.07.

Section 4.12. Liens.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien securing Indebtedness on any asset now owned or hereafter acquired, or any income or profits therefrom or assign or convey any right to receive income therefrom, except Permitted Liens.

Section 4.13. Future Subsidiary Guarantees

If the Company or any of its Subsidiaries shall acquire or create a Subsidiary (other than a Foreign Subsidiary or an Unrestricted Subsidiary) after the Issue Date, then such Subsidiary shall execute a Subsidiary Guarantee, in the form of the Supplemental Indenture attached hereto as Exhibit E, and the Form of Notation on Senior Subordinated Note, attached hereto as Exhibit F, and deliver an opinion of counsel as to the validity of such Subsidiary Guarantee, in accordance with the terms of this Indenture. The Subsidiary Guarantee of each Guarantor will be subordinated to the prior payment in full of all Senior Debt of such Guarantor, which would include the guarantees of amounts borrowed under the Senior Credit Facilities. The obligations of each Guarantor under its Subsidiary Guarantee will be limited so as not to constitute a fraudulent conveyance under applicable law.

No Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person (except the Company or another Guarantor) unless (i) subject to the provisions of the following paragraph, the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of such Guarantor pursuant to a supplemental indenture in form and substance reasonably satisfactory to the Trustee, under the Notes and this Indenture; (ii) immediately after giving effect to such transaction, no Default or Event of Default exists; (iii) the Company (A) would be permitted by virtue of the Company's pro forma Fixed Charge Coverage Ratio, immediately after giving effect to such transaction, to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test

set forth in Section 4.09 or (B) would have a pro forma Fixed Charge Coverage Ratio that is greater than the actual Fixed Charge Coverage Ratio for the same four-quarter period without giving pro forma effect to such transaction.

Notwithstanding the foregoing paragraph, (i) any Guarantor may consolidate with, merge into or transfer all or part of its properties and assets to the Company and (ii) any Guarantor may merge with an Affiliate that has no significant assets or liabilities and was incorporated solely for the purpose of reincorporating such Guarantor in another State of the United States so long as the amount of Indebtedness of the Company and its Restricted Subsidiaries is not increased thereby.

In the event of a sale or other disposition of all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the capital stock of any Guarantor, then such Guarantor (in the event of a sale or other disposition, by way of such a merger, consolidation or otherwise, of all of the capital stock of such Guarantor) or the corporation acquiring the property (in the event of a sale or other disposition of all of the assets of such Guarantor) will be released and relieved of any obligations under its Subsidiary Guarantee; provided that the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of Section 4.10.

Section 4.14. Corporate Existence.

Subject to Article 5 hereof, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect (i) its corporate existence, and the corporate, partnership or other existence of each of its Restricted Subsidiaries, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company or any such Restricted Subsidiary and (ii) the rights (charter and statutory), licenses and franchises of the Company and its Restricted Subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any of its Restricted Subsidiaries, if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries, taken as a whole, and that the loss thereof is not adverse in any material respect to the Holders of the Notes.

Section 4.15. Offer to Repurchase Upon Change of Control.

(a) Upon the occurrence of a Change of Control, each Holder of Notes shall have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of such Holder's Notes pursuant to the offer described below (the "Change of Control Offer") at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the date of purchase (the "Change of Control Payment"). Within ten days following any Change of Control, the Company shall mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the date specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the "Change of Control Payment Date"). Such notice, which shall govern the terms of the Change of Control offer, shall state: (i) that the Change of Control Offer is being made pursuant to

this Section 4.15 and that all Notes tendered will be accepted for payment; (ii) the purchase price and the purchase date; (iii) that any Note not tendered will continue to accrue interest; (iv) that, unless the Company defaults in the payment of the Change of Control Payment, all Notes accepted for payment pursuant to the Change of Control Offer shall cease to accrue interest after the Change of Control Payment Date; (v) that Holders electing to have any Notes purchased pursuant to a Change of Control Offer will be required to surrender the Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day preceding the Change of Control Payment Date; (vi) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have the Notes purchased; and (vii) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered, which unpurchased portion must be equal to $1,000 in principal amount or an integral multiple thereof. The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes in connection with a Change of Control.

(b) On the Change of Control Payment Date, the Company shall, to the extent lawful, (i) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered and (iii) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company. The Paying Agent shall promptly mail to each Holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee shall promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each such new Note shall be in a principal amount of $1,000 or an integral multiple thereof. Prior to mailing a Change of Control Offer, but in any event within 90 days following a Change of Control, the Company shall either repay all outstanding Senior Debt or offer to repay all Senior Debt and terminate all commitments thereunder of each lender who has accepted such offer or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of Notes required by this Section 4.15. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

Section 4.16. No Senior Subordinated Debt.

The Company shall not incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinate or junior in right of payment to any Senior Debt and senior in any respect in right of payment to the Notes. No Guarantor shall incur, create, issue, assume, guarantee or otherwise become liable for any Indebtedness that is subordinate

or junior in right of payment to any Senior Debt of a Guarantor and senior in any respect in right of payment to any of the Subsidiary Guarantees.

Section 4.17. Payments for Consent.

Neither the Company nor any of its Subsidiaries shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder of any Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

ARTICLE 5
SUCCESSORS

Section 5.01. Merger, Consolidation, or Sale of Assets.

The Company may not consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to another corporation, Person or entity unless (i) the Company is the surviving corporation or the entity or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made is a corporation organized or existing under the laws of the United States, any state thereof or the District of Columbia; (ii) the entity or Person formed by or surviving any such consolidation or merger (if other than the Company) or the entity or Person to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made assumes all the obligations of the Company under the Notes and this Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; (iii) immediately after such transaction no Default or Event of Default exists; and (iv) except in the case of a merger of the Company with or into a Wholly Owned Restricted Subsidiary of the Company, the Company or the entity or Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance or other disposition shall have been made, after giving pro forma effect to such transaction as if such transaction had occurred at the beginning of the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding such transaction either (A) would be permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of Section 4.09 or (B) would have a pro forma Fixed Charge Coverage Ratio that is greater than the actual Fixed Charge Coverage Ratio for the same four-quarter period without giving pro forma effect to such transaction.

Notwithstanding clause (iv) in the immediately foregoing paragraph, (i) any Restricted Subsidiary may consolidate with, merge into or transfer all or part of its properties and assets to the Company and (ii) the Company may merge with an Affiliate that has no significant assets or liabilities and was incorporated solely for the purpose of reincorporating the Company in

another State of the United States so long as the amount of Indebtedness of the Company and its Restricted Subsidiaries is not increased thereby.

Section 5.02. Successor Corporation Substituted.

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.01 hereof, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Company" shall refer instead to the successor corporation and not to the Company), and may exercise every right and power of the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; provided, however, that the predecessor Company shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale of all of the Company's assets that meets the requirements of Section 5.01 hereof.

ARTICLE 6
DEFAULTS AND REMEDIES

Section 6.01. Events of Default.

An "Event of Default" occurs if:

(a) the Company defaults in the payment when due of interest on , or Liquidated Damages, if any, with respect to, the Notes and such default continues for a period of 30 days (whether or not prohibited by the subordination provisions of this Indenture);

(b) the Company defaults in the payment when due of the principal of or premium, if any, on the Notes (whether or not prohibited by the subordination provisions of this Indenture);

(c) the Company fails to comply with any of the provisions of Section 4.10, 4.15, or 5.01 hereof;

(d) the Company fails to observe or perform any other covenant, representation, warranty or other agreement in this Indenture or the Notes for 60 days after notice to the Company by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding;

(e) a default occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the date of this Indenture, which default results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness, together with the principal

amount of any other such Indebtedness, the maturity of which has been so accelerated, aggregates $10.0 million or more;

(f) the Company or any of its Restricted Subsidiaries is subject to a final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(g) the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(i) commences a voluntary case,

(ii) consents to the entry of an order for relief against it in an involuntary case,

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property,

(iv) makes a general assignment for the benefit of its creditors, or

(v) generally is not paying its debts as they become due;

(h) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary in an involuntary case;

(ii) appoints a Custodian of the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary or for all or substantially all of the property of the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary; or

(iii) orders the liquidation of the Company or any of its Significant Subsidiaries or any group of Subsidiaries that, taken as a whole, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days; or

(i) Except as permitted herein, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes.

Section 6.02. Acceleration.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately; provided, however, that so long as any Designated Senior Debt is outstanding, such declaration shall not become effective until the earlier of (i) the day which is five Business Days after receipt by the Representatives of Designated Senior Debt of such notice of acceleration or (ii) the date of acceleration of any Designated Senior Debt. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or any Restricted Subsidiary, all outstanding Notes will become due and payable without further action or notice. Holders of the Notes may not enforce this Indenture or the Notes except as provided in this Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to the optional redemption provisions of this Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes. If an Event of Default occurs prior to May 1, 2002 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Notes prior to May 1, 2002, then the premium specified below shall also become immediately due and payable to the extent permitted by law upon the acceleration of the Notes during the twelve-month period ending on May 1 of the years indicated below:

Year	Percentage
1997	115.562%
1998	113.833%
1999	112.104%
2000	110.375%
2001	108.646%
2002	106.917%

Section 6.03. Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 6.04. Waiver of Past Defaults.

Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may on behalf of the Holders of all of the Notes waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, premium and Liquidated Damages, if any, or interest on, the Notes (including in connection with an offer to purchase) (provided, however, that the Holders of a majority in aggregate principal amount at maturity of the then outstanding Notes may rescind an acceleration and its consequences, including any related payment default that resulted from such acceleration). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 6.05. Control by Majority.

Holders of a majority in principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability.

Section 6.06. Limitation on Suits.

A Holder of a Note may pursue a remedy with respect to this Indenture or the Notes only if:

(a) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default;

(b) the Holders of at least 25% in principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(c) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(e) during such 60-day period the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

Section 6.07. Rights of Holders of Notes to Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Note to receive payment of principal, premium and Liquidated Damages, if any, and interest on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

Section 6.08. Collection Suit by Trustee.

If an Event of Default specified in Section 6.01(a) or (b) occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal of, premium and Liquidated Damages, if any, and interest remaining unpaid on the Notes and interest on overdue principal and, to the extent lawful, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09. Trustee May File Proofs of Claim.

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Company (or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10. Priorities.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee, its agents and attorneys for amounts due under Section 7.07 hereof, including payment of all compensation, expense and liabilities incurred, and all advances made, by the Trustee and the costs and expenses of collection;

Second: to Holders of Notes for amounts due and unpaid on the Notes for principal, premium and Liquidated Damages, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes for principal, premium and Liquidated Damages, if any and interest, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07 hereof, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

ARTICLE 7
TRUSTEE

Section 7.01. Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith or negligence on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of

this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of paragraph (b) of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), and (c) of this Section.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

Section 7.02. Rights of Trustee.

(a) The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in such document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(h) The Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Notes and this Indenture.

(i) Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

Section 7.03. Individual Rights of Trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Company or any Affiliate of the Company with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as trustee or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Sections 7.10 and 7.11 hereof.

Section 7.04. Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Notes, it shall not be accountable for the Company's use of the proceeds from the Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

Section 7.05. Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs. Except in

the case of a Default or Event of Default in payment of principal of, premium, if any, or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

Section 7.06. Reports by Trustee to Holders of the Notes.

Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

A copy of each report at the time of its mailing to the Holders of Notes shall be mailed to the Company and filed with the SEC and each stock exchange on which the Notes are listed in accordance with TIA Section 313(d). The Company shall promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07. Compensation and Indemnity.

The Company shall pay to the Trustee from time to time such compensation as the Company and the Trustee shall from time to time agree in writing for its acceptance of this Indenture and services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company shall indemnify the Trustee or any predecessor Trustee against any and all losses, liabilities or expenses incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Company (including this Section 7.07) and defending itself against any claim (whether asserted by the Company or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence or bad faith. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The Trustee shall have a lien prior to the Notes as to all property and funds held by it hereunder for any amount owing it or any predecessor Trustee pursuant to this Section 7.07, except with respect to funds held in trust for the benefit of the Holders of particular Notes.

The obligations of the Company under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.

To secure the Company's payment obligations in this Section, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal and interest on particular Notes. Such Lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(g) or (h) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

The Trustee shall comply with the provisions of TIA Section 313(b)(2) to the extent applicable.

Section 7.08. Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Company. The Holders of Notes of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Company in writing. The Company may remove the Trustee if:

(a) the Trustee fails to comply with Section 7.10 hereof;

(b) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(c) a Custodian or public officer takes charge of the Trustee or its property; or

(d) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company, or the Holders of Notes of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee, after written request by any Holder of a Note who has been a Holder of a Note for at least six months, fails to comply with Section 7.10, such Holder of a Note may petition any court of competent

jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders of the Notes. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 hereof shall continue for the benefit of the retiring Trustee.

Section 7.09. Successor Trustee by Merger, etc.

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section 7.10. Eligibility; Disqualification.

There shall at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of the United States of America or of any state thereof that is authorized under such laws to exercise corporate trustee power, that is subject to supervision or examination by federal or state authorities and that has a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1), (2) and (5). The Trustee is subject to TIA Section 310(b).

Section 7.11. Preferential Collection of Claims Against Company.

The Trustee is subject to TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 8
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01. Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at the option of its Board of Directors evidenced by a resolution set forth in an Officers' Certificate, at any time, elect to have either Section 8.02 or 8.03 hereof be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

Section 8.02. Legal Defeasance and Discharge.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from its obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "Legal Defeasance"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Notes and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive solely from the trust fund described in Section 8.04 hereof, and as more fully set forth in such Section, payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due, (b) the Company's obligations with respect to such Notes under Sections 2.06, 2.07, 2.10 and 4.02 hereof, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations in connection therewith and (d) this Article 8. Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 hereof.

Section 8.03. Covenant Defeasance.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from its obligations under Sections 4.03, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13, 4.15 and 4.16 and Article 5 hereof with respect to the outstanding Notes on and after the date the conditions set forth below are satisfied (hereinafter, "Covenant Defeasance"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03 hereof, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(d) through 6.01(f) hereof shall not constitute Events of Default.

Section 8.04. Conditions to Legal or Covenant Defeasance.

The following shall be the conditions to the application of either Section 8.02 or 8.03 hereof to the outstanding Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, cash in United States dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, premium and Liquidated Damages, if any, and interest on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be;

(b) in the case of an election under Section 8.02 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the date of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.03 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness all or a portion of the proceeds of which will be used to defease the Notes pursuant to this Article 8 concurrently with such incurrence) or insofar as Sections 6.01(g) or 6.01(h) hereof is concerned, at any time in the period ending on the 91st day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound;

(f) the Company shall have delivered to the Trustee an opinion of counsel to the effect that on the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy,

insolvency, reorganization or similar laws affecting creditors' rights generally;

(g) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company; and

(h) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Section 8.05. Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.

Subject to Section 8.06 hereof, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 hereof in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the request of the Company any money or non-callable Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.06. Repayment to Company.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on any Note and remaining unclaimed for two years after such principal, and premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as a secured creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof,

shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in the New York Times and The Wall Street Journal (national edition), notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 8.07. Reinstatement.

If the Trustee or Paying Agent is unable to apply any United States dollars or non-callable Government Securities in accordance with Section 8.02 or 8.03 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 hereof until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03 hereof, as the case may be; provided, however, that, if the Company makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9
AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01. Without Consent of Holders of Notes.

Notwithstanding Section 9.02 of this Indenture, the Company and the Trustee may amend or supplement this Indenture or the Notes without the consent of any Holder of a Note:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(c) to provide for the assumption of the Company's obligations to the Holders of the Notes in the case of a merger or consolidation pursuant to Article 5 hereof;

(d) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder of the Note; or

(e) to comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee shall join with the Company in the execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be

obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 9.02. With Consent of Holders of Notes.

Except as provided below in this Section 9.02, the Company and the Trustee may amend or supplement this Indenture (including Section 3.09, 4.10 and 4.15 hereof) and the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, or interest on the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including consents obtained in connection with a tender offer or exchange offer for the Notes).

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02 hereof, the Trustee shall join with the Company in the execution of such amended or supplemental Indenture unless such amended or supplemental Indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental Indenture.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Persons entitled to consent to any indenture supplemental hereto. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to consent to such supplemental indenture, whether or not such Holders remain Holders after such record date; provided, that unless such consent shall have become effective by virtue of the requisite percentage having been obtained prior to the date which is 180 days after such record date, any such consent previously given shall automatically and without further action by any Holder be cancelled and of no further effect.

It shall not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section becomes effective, the Company shall mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver. Subject to Sections 6.04 and 6.07 hereof, the Holders of a majority in aggregate principal amount of the Notes then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes. However, without the consent

of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

(a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Note or alter or waive any of the provisions with respect to the redemption of the Notes except as provided above with respect to Sections 4.10 and 4.15 hereof;

(c) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(d) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(e) make any Note payable in money other than that stated in the Notes;

(f) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of or interest on the Notes; or

(g) waive a redemption payment with respect to any Note (other than a payment required by Sections 3.09, 4.10 and 4.15 hereof).

(h) make any change in Section 6.04 or 6.07 hereof or in the foregoing amendment and waiver provisions.

Section 9.03. Compliance with Trust Indenture Act.

Every amendment or supplement to this Indenture or the Notes shall be set forth in a amended or supplemental Indenture that complies with the TIA as then in effect.

Section 9.04. Revocation and Effect of Consents.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section 9.05. Notation on or Exchange of Notes.

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Company in

exchange for all Notes may issue and the Trustee shall authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note shall not affect the validity and effect of such amendment, supplement or waiver.

Section 9.06. Trustee to Sign Amendments, etc.

The Trustee shall sign any amended or supplemental Indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. The Company may not sign an amendment or supplemental Indenture until the Board of Directors approves it. In executing any amended or supplemental indenture, the Trustee shall be entitled to receive and (subject to Section 7.01) shall be fully protected in relying upon, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture.

ARTICLE 10
SUBORDINATION

Section 10.01. Agreement to Subordinate.

The Company agrees, and each Holder by accepting a Note agrees, that the Indebtedness evidenced by the Notes is subordinated in right of payment, to the extent and in the manner provided in this Article 10, to the prior payment in full of all Senior Debt (whether outstanding on the date hereof or hereafter created, incurred, assumed or guaranteed), and that the subordination is for the benefit of the holders of Senior Debt.

Section 10.02. Liquidation; Dissolution; Bankruptcy.

Upon any distribution to creditors of the Company in a liquidation or dissolution of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property, an assignment for the benefit of creditors or any marshalling of the Company's assets and liabilities, the holders of Senior Debt shall be entitled to receive payment in full in cash of all Obligations due in respect of such Senior Debt (including interest after the commencement of any such proceeding at the rate specified in the applicable Senior Debt, whether or not an allowable claim in any such proceeding) before the Holders of Notes will be entitled to receive any payment with respect to the Notes, and until all Obligations with respect to Senior Debt are paid in full, any distribution to which the Holders of Notes would be entitled shall be made to the holders of Senior Debt (except, in each case, that Holders of Notes may receive Permitted Junior Securities and payments made from the trust described under Article 8).

Section 10.03. Default on Designated Senior Debt.

The Company may not make any payment or distribution to the Trustee or any Holder in respect of Obligations with respect to the Notes and may not acquire from the Trustee or any Holder any Notes for cash or property (other than (i) securities that are subordinated to at least the same extent as the Notes to (a) Senior Indebtedness and (b) any securities issued in exchange

for Senior Indebtedness and (ii) payments and other distributions made from any defeasance trust created pursuant to Section 8.01 hereof) until all principal and other Obligations with respect to the Senior Indebtedness have been paid in full if:

(i) a default in the payment of any principal or other Obligations with respect to Designated Senior Indebtedness occurs and is continuing beyond any applicable grace period in the agreement, indenture or other document governing such Designated Senior Indebtedness; or

(ii) a default, other than a payment default, on Designated Senior Indebtedness occurs and is continuing that then permits holders of the Designated Senior Indebtedness to accelerate its maturity and the Trustee receives a notice of the default (a "Payment Blockage Notice") from a Representative with respect to such Designated Senior Debt. If the Trustee receives any such Payment Blockage Notice, no subsequent Payment Blockage Notice shall be effective for purposes of this Section unless and until (i) at least 365 days shall have elapsed since the effectiveness of the immediately prior Payment Blockage Notice and (ii) all scheduled payments of principal, premium, if any, and interest on the Notes that have come due have been paid in full in cash. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice unless such default shall have been waived or cured for a period of not less than 180 days.

The Company may and shall resume payments on and distributions in respect of the Notes and may acquire them upon the earlier of:

(1) the date upon which the default is cured or waived, or

(2) in the case of a default referred to in Section 10.03(ii) hereof, 179 days pass after notice is received if the maturity of such Designated Senior Indebtedness has not been accelerated,

if this Article otherwise permits the payment, distribution or acquisition at the time of such payment or acquisition.

Section 10.04. Acceleration of Securities.

If payment of the Securities is accelerated because of an Event of Default, the Company shall promptly notify holders of Senior Debt of the acceleration.

Section 10.05. When Distribution Must Be Paid Over.

In the event that the Trustee or any Holder receives any payment of any Obligations with respect to the Notes at a time when the Trustee or such Holder, as applicable, has actual knowledge that such payment is prohibited by Article 10 hereof, such payment shall be held by the Trustee or such Holder, in trust for the benefit of, and shall be paid forthwith over and delivered, upon written request, to, the holders of Senior Debt as their interests may appear or their Representative under the indenture or other agreement (if any) pursuant to which Senior Debt may have been issued, as their respective interests may appear, for application to the payment of all Obligations with respect to Senior Debt remaining unpaid to the extent

necessary to pay such Obligations in full in accordance with their terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt.

With respect to the holders of Senior Debt, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article 10, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt, and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of Holders or the Company or any other Person money or assets to which any holders of Senior Debt shall be entitled by virtue of this Article 10, except if such payment is made as a result of the willful misconduct or negligence of the Trustee.

Section 10.06. Notice by Company.

The Company shall promptly notify the Trustee and the Paying Agent of any facts known to the Company that would cause a payment of any Obligations with respect to the Notes to violate this Article 10, but failure to give such notice shall not affect the subordination of the Notes to the Senior Debt as provided in this Article 10.

The Trustee shall be entitled to rely on the delivery to it of a written notice by a person representing himself to be a holder of Senior Indebtedness (or a trustee or agent on behalf of such holder) to establish that such notice has been given by a holder of Senior Indebtedness (or a trustee or agent on behalf of any such holder). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any person as holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article 10, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, the extent to which such person is entitled to participate in such evidence is not furnish, the Trustee may defer any payment which it may be required to make for the benefit of such person pursuant to the terms of this Indenture pending judicial determination as to the rights of such person to receive such payment.

Section 10.07. Subrogation.

After all Senior Debt is paid in full and until the Notes are paid in full, Holders of Notes shall be subrogated (equally and ratably with all other Indebtedness pari passu with the Notes) to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt to the extent that distributions otherwise payable to the Holders of Notes have been applied to the payment of Senior Debt. A distribution made under this Article 10 to holders of Senior Debt that otherwise would have been made to Holders of Notes is not, as between the Company and Holders, a payment by the Company on the Notes.

Section 10.08. Relative Rights.

This Article 10 defines the relative rights of Holders of Notes and holders of Senior Debt. Nothing in this Indenture shall:

(1) impair, as between the Company and Holders of Notes, the obligation of the Company, which is absolute and unconditional, to pay principal of and interest on the Notes in accordance with their terms;

(2) affect the relative rights of Holders of Notes and creditors of the Company other than their rights in relation to holders of Senior Debt; or

(3) prevent the Trustee or any Holder of Notes from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders and owners of Senior Debt to receive distributions and payments otherwise payable to Holders of Notes.

If the Company fails because of this Article 10 to pay principal of or interest on a Note on the due date, the failure is still a Default or Event of Default.

Section 10.09. Subordination May Not Be Impaired by Company.

No right of any holder of Senior Debt to enforce the subordination of the Indebtedness evidenced by the Notes shall be impaired by any act or failure to act by the Company or any Holder or by the failure of the Company or any Holder to comply with this Indenture.

Section 10.10. Distribution or Notice to Representative.

Whenever a distribution is to be made or a notice given to holders of Senior Debt, the distribution may be made and the notice given to their Representative.

Upon any payment or distribution of assets of the Company referred to in this Article 10, the Trustee and the Holders of Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Representative or of the liquidating trustee or agent or other Person making any distribution to the Trustee or to the Holders of Notes for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Debt and other Indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10.

Section 10.11. Rights of Trustee and Paying Agent.

Notwithstanding the provisions of this Article 10 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Trustee, and the Trustee and the Paying Agent may continue to make payments on the Notes, unless the Trustee shall have received at its Corporate Trust Office at least three Business Days prior to the date of such payment written notice of facts that would cause the payment of any Obligations with respect to the Notes to violate this Article 10. Only the Company or a Representative may give the notice. Nothing in this Article 10 shall impair the claims of, or payments to, the Trustee under or pursuant to Section 7.07 hereof.

The Trustee in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

Section 10.12. Authorization to Effect Subordination.

Each Holder of Notes, by the Holder's acceptance thereof, authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 10, and appoints the Trustee to act as such Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.09 hereof at least 30 days before the expiration of the time to file such claim, the credit agents are hereby authorized to file an appropriate claim for and on behalf of the Holders of the Notes.

Section 10.13. Amendments.

The provisions of this Article 10 shall not be amended or modified without the written consent of the holders of at least 75% in aggregate principal amount of the Notes then outstanding if such amendment would adversely affect the rights of Holders of Notes.

ARTICLE 11
MISCELLANEOUS

Section 11.01. Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA Section 318(c), the imposed duties shall control.

Section 11.02. Notices.

Any notice or communication by the Company or the Trustee to the others is duly given if in writing and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telecopier or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Company:

L-3 Communications Corporation
600 Third Avenue, 34th Floor,
New York, New York 10016
Attention: Vice President-Finance (Fax: 212-805-5470)

With a copy to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017
Attention: Andrew R. Keller (Fax: 212-455-2502)

If to the Trustee:

The Bank of New York
101 Barclay Street, Floor 21 West
New York, New York 10286
Attention: Corporate Trust Administration (Fax: 212-815-5915)

The Company or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first class mail, certified or registered, return receipt requested, or by overnight air courier guaranteeing next day delivery to its address shown on the register kept by the Registrar. Any notice or communication shall also be so mailed to any Person described in TIA Section 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

Section 11.03. Communication by Holders of Notes with Other Holders of Notes.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

Section 11.04. Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(a) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 11.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been satisfied; and

(b) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 11.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been satisfied.

Section 11.05. Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall comply with the provisions of TIA Section 314(e) and shall include:

(a) a statement that the Person making such certificate or opinion has read such covenant or condition;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(d) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 11.06. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 11.07. No Personal Liability of Directors, Officers, Employees and Stockholders.

No director, officer, employee, incorporator or stockholder of the Company, as such, shall have any liability for any obligations of the Company under the Notes and this Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

Section 11.08. Governing Law.

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE, THE NOTES AND THE SUBSIDIARY GUARANTEES, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

Section 11.09. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 11.10. Successors.

All agreements of the Company in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 11.11. Severability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.12. Counterpart Originals.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 11.13. Table of Contents, Headings, etc.

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

[Signatures on following pages]

SIGNATURES

Dated as of April 30, 1997

L-3 Communications Corporation

By:_____
Name:
Title:

The Bank of New York

By: /s/ Marie E. Trimboli
Name: Marie E. Trimboli
Title: Assistant Treasurer

SIGNATURES

Dated as of April 30, 1997

L-3 Communications Corporation

By: /s/ M.T. Strianese
Name: Michael T. Strianese
Title: Vice President and Controller

The Bank of New York

By:_____
Name:
Title:

EXHIBIT A-1
(Face of Note)

CUSIP/CINS _____

10 3/8% Senior Subordinated Notes due 2007

No. ___ $_____

L-3 COMMUNICATIONS CORPORATION

promises to pay to _____

or registered assigns,

the principal sum of _____

Dollars on May 1, 2007.

Interest Payment Dates: May 1, and November 1

Record Dates: April 15, and October 15

Dated: _____, 199__

L-3 Communications Corporation

By:_____
Name:
Title:

By:_____
Name:
Title:

(SEAL)

This is one of the [Global]
Notes referred to in the
within-mentioned Indenture:

Dated:

The Bank of New York,
as Trustee

By:_____

(Back of Note)

10 3/8% Senior Subordinated Notes due 2007

[THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.07 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.]

[THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE.]

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

_____

[FN]

This paragraph should be included only if the Note is issued in global form.

This paragraph should be included only if applicable pursuant to the terms of the Indenture.

1. Interest. L-3 Communications Corporation, a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at 10 3/8% per annum from April 30, 1997 until maturity and shall pay the Liquidated Damages payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, semi-annually on May 1 and November 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"), with the same force and effect as if made on the date for such payment. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be November 1, 1997. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at the rate then in effect to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages to the Persons who are registered Holders of Notes at the close of business on the April 15 or October 15 next (whether or not a Business Day) preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Company maintained for such purpose within The City and State of New York, or, at the option of the Company, payment of interest and Liquidated Damages may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent if such Holders shall be registered Holders of at least $250,000 in principal amount of the Notes. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. Paying Agent and Registrar. Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. Indenture. The Company issued the Notes under an Indenture dated as of April 30, 1997 ("Indenture") between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such

terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are obligations of the Company limited to $225.0 million in aggregate principal amount, plus amounts, if any, issued to pay Liquidated Damages on outstanding Notes as set forth in Paragraph 2 hereof.

5. Optional Redemption.

(a) Except as set forth in clause (b) of this paragraph 5, the Notes shall not be redeemable at the Company's option prior to May 1, 2002. Thereafter, the Notes shall be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on May 1 of the years indicated below:

Year	Percentage
2002	105.188%
2003	103.458%
2004	101.729%
2005 and thereafter	100.000%

(b) Notwithstanding the foregoing, during the first 36 months after the date of the Indenture, the Company may on any one or more occasions redeem up to an aggregate of 35% of the Notes originally issued at a redemption price of 109.375% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings by the Company or the net cash proceeds of one or more Equity Offerings by Holdings that are contributed to the Company as common equity capital; provided that at least 65% of the Notes originally issued remain outstanding immediately after the occurrence of each such redemption; and provided, further, that any such redemption must occur within 120 days of the date of the closing of such Equity Offering.

6. Mandatory Redemption.

Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemption payments with respect to the Notes.

7. Repurchase at Option of Holder.

(a) If there is a Change of Control, the Company shall be required to make an offer (a "Change of Control Offer") to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of each Holder's Notes at a purchase price equal to 101% of aggregate principle amount thereof plus accrued and unpaid interest, if any, to the date of purchase (in either case, the "Change of Control Payment"). Within 10 days following any Change of Control, the Company shall mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Subsidiary consummates any Asset Sales, within five Business Days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company shall commence an offer to all Holders of Notes (as "Asset Sale Offer") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% thereof on the date fixed for the closing of such offer or 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company (or such Subsidiary) may use such deficiency for general corporate purposes. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes.

8. Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

9. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

10. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

11. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes. Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of the Notes in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such

Holder, or to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

12. Defaults and Remedies. An "Event of Default" occurs if: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the Notes (whether or not prohibited by the subordination provisions of the Indenture); (ii) default in payment when due of the principal of or premium, if any, on the Notes (whether or not prohibited by the subordination provisions of the Indenture); (iii) failure by the Company to comply with the covenants contained in sections 4.10, 4.15 or 5.10 of the Indenture; (iv) failure by the Company for 60 days after notice to comply with any of its other agreements in the Indenture or the Notes; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, aggregates $10.0 million or more; (vi) failure by the Company or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries; and (viii) except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately; provided, however, that so long as any Designated Senior Debt is outstanding, such declaration shall not become effective until the earlier of (i) the day which is five Business Days after receipt by the Representatives of Designated Senior Debt of such notice of acceleration or (ii) the date of acceleration of any Designated Senior Debt. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or any Restricted Subsidiary, all outstanding Notes will become due and payable without further action or notice. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes. If an Event of Default occurs

prior to May 1, 2002 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Notes prior to May 1, 2002, then the premium specified in the Indenture shall also become immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes.

13. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

14. No Recourse Against Others. A director, officer, employee, incorporator or stockholder, of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

15. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

16. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

17. Additional Rights of Holders of Transfer Restricted Securities. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transferred Restricted Securities shall have all the rights set forth in the A/B Exchange Registration Rights Agreement dated as of April 30, 1997, between the Company and the parties named on the signature pages thereof (the "Registration Rights Agreement").

18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. The internal law of the State of New York shall govern and be used to construe this Note, without regard to the principles of conflicts of laws.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

L-3 Communications Corporation
600 Third Avenue, 34th Floor,
New York, New York 10016
Attention: Vice President-Finance (Fax: 212-805-5470)

Assignment Form

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your Signature:_____

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee.

Option of Holder to Elect Purchase

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.15 of the Indenture, check the box below:

/_/ Section 4.10 /_/ Section 4.15

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased: $_____

Date:_____ Your Signature:_____
(Sign exactly as your name appears on the Note)

Tax Identification No.: _____

Signature Guarantee.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Note Custodian

_____

[FN]
This should be included only if the Note is issued in global form.

EXHIBIT A-2
(Face of Regulation S Temporary Global Note)

CUSIP/CINS _____

10 3/8% Senior Subordinated Notes due 2007

No. ___ $_____

L-3 Communications Corporation

promises to pay to _____

or registered assigns,

the principal sum of _____

Dollars on _____, 2007.

Interest Payment Dates: May 1, and November 1

Record Dates: April 15, and October 15

Dated: _____, 199__

L-3 Communications Corporation

By:_____
Name:
Title:

By:_____
Name:
Title:

This is one of the [Global]
Notes referred to in the
within-mentioned Indenture:

(SEAL)

Dated:

The Bank of New York,
as Trustee

By:_____

(Back of Regulation S Temporary Global Note)

10 3/8% Senior Subordinated Notes due 2007

[THE RIGHTS ATTACHING TO THIS REGULATION S TEMPORARY GLOBAL NOTE, AND THE CONDITIONS AND PROCEDURES GOVERNING ITS EXCHANGE FOR CERTIFICATED NOTES, ARE AS SPECIFIED IN THE INDENTURE (AS DEFINED HEREIN). NEITHER THE HOLDER NOR THE BENEFICIAL OWNERS OF THIS REGULATION S TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON.]

[THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.07 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.]

[THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE.]

_____

[FN]
This paragraph should be included only if applicable pursuant to the terms of the Indenture.
This paragraph should be included only if the Note is issued in global form.
This paragraph should be included only if applicable pursuant to the terms of the Indenture.

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. Interest. L-3 Communications Corporation, a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at 10 3/8% per annum from April 30, 1997 until maturity and shall pay the Liquidated Damages payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, semi-annually on May 1 and November 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"), with the same force and effect as if made on the date for such payment. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be November 1, 1997. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at the rate then in effect to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Until this Regulation S Temporary Global Note is exchanged for one or more Regulation S Permanent Global Notes, the Holder hereof shall not be entitled to receive payments of interest hereon; until so exchanged in full, this Regulation S Temporary Global Note shall in all other respects be entitled to the same benefits as other Senior Subordinated Notes under the Indenture.

2. Method of Payment. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages to the Persons who are registered Holders of Notes at the close of business on the April 15 or October 15 (whether or not a Business Day) next preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium, interest and Liquidated Damages at the office or agency of the Company maintained for such purpose within The City and State of New York, or, at the option of the Company, payment of interest and Liquidated Damages may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent if such Holders shall be registered Holders of at least $25,000 in principal amount of the Notes. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. Paying Agent and Registrar. Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. Indenture. The Company issued the Notes under an Indenture dated as of April 30, 1997 ("Indenture") between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are obligations of the Company limited to $225.0 million in aggregate principal amount, plus amounts, if any, issued to pay Liquidated Damages on outstanding Notes as set forth in Paragraph 2 hereof.

5. Optional Redemption.

The Notes shall not be redeemable at the Company's option prior to May 1, 2002. Thereafter, the Notes shall be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on May 1 of the years indicated below:

Year	Percentage
2002	105.188%
2003	103.458%
2004	101.729%
2005 and thereafter	100.000%

Notwithstanding the foregoing, during the first 36 months after the date of the Indenture, the Company may on any one or more occasions redeem up to an aggregate of 35% of the Notes originally issued at a redemption price of 109.375% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings by the Company or the net cash proceeds of one or more Equity Offerings by Holdings that are contributed to the Company as common equity capital; provided that at least 65% of the Notes originally issued remain outstanding immediately after the occurrence of each such redemption; and provided, further, that any such redemption must occur within 120 days of the date of the closing of such Equity Offering.

6. Mandatory Redemption.

Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemption payments with respect to the Notes.

7. Repurchase at Option of Holder.

(a) If there is a Change of Control, the Company shall be required to make an offer (a "Change of Control Offer") to repurchase all or any part

(equal to $1,000 or an integral multiple thereof) of each Holder's Notes at a purchase price equal to 101% thereof on the date of purchase or 101% of the aggregate principal amount at maturity thereof plus accrued and unpaid interest, if any, to the date of purchase (in either case, the "Change of Control Payment"). Within 10 days following any Change of Control, the Company shall mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Subsidiary consummates any Asset Sales, within five Business Days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company shall commence an offer to all Holders of Notes (as "Asset Sale Offer") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% thereof on the date fixed for the closing of such offer or 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company (or such Subsidiary) may use such deficiency for general corporate purposes. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes.

8. Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

9. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

This Regulation S Temporary Global Note is exchangeable in whole or in part for one or more Global Notes only (i) on or after the termination of the 40-day restricted period (as defined in Regulation S) and (ii) upon presentation of certificates (accompanied by an Opinion of Counsel, if applicable) required by Article 2 of the Indenture. Upon exchange of this Regulation S Temporary Global Note for one or more Global Notes, the Trustee shall cancel this Regulation S Temporary Global Note.

10. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

11. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes. Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of the Notes in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such Holder, or to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

12. Defaults and Remedies. An "Event of Default" occurs if: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the Notes (whether or not prohibited by the subordination provisions of the Indenture); (ii) default in payment when due of the principal of or premium, if any, on the Notes (whether or not prohibited by the subordination provisions of the Indenture); (iii) failure by the Company to comply with the covenants contained in sections 4.10, 4.15 or 5.10 of the Indenture; (iv) failure by the Company for 60 days after notice to comply with any of its other agreements in the Indenture or the Notes; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, aggregates $10.0 million or more; (vi) failure by the Company or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries; and (viii) except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately; provided, however, that so long as any Designated Senior Debt is outstanding, such declaration shall not become effective until the earlier of (i) the day which is five Business Days after receipt by the Representatives of Designated Senior Debt of such notice of acceleration or (ii) the date of acceleration of any Designated Senior Debt. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or any Restricted Subsidiary, all outstanding

Notes will become due and payable without further action or notice. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes. If an Event of Default occurs prior to May 1, 2002 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Notes prior to May 1, 2002, then the premium specified in the Indenture shall also become immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes.

13. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

14. No Recourse Against Others. A director, officer, employee, incorporator or stockholder, of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

15. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

16. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

17. Additional Rights of Holders of Transfer Restricted Securities. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transferred Restricted Securities shall have all the rights set forth in the A/B Exchange Registration Rights Agreement dated as of April 30, 1997, between the Company and the parties named on the signature pages thereof (the "Registration Rights Agreement").

18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. The internal law of the State of New York shall govern and be used to construe this Note, without regard to the principles of conflicts of laws.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

L-3 Communications Corporation
600 Third Avenue, 34th Floor,
New York, New York 10016
Attention: Vice President-Finance (Fax: 212-805-5470)

Assignment Form

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

_____

Your Signature:_____

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee.

Option of Holder to Elect Purchase

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.15 of the Indenture, check the box below:

/_/ Section 4.10 /_/ Section 4.15

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased: $_____

Date:_____ Your Signature:_____
(Sign exactly as your name appears on the Note)

Tax Identification No.: _____

Signature Guarantee.

SCHEDULE OF EXCHANGES OF REGULATION S TEMPORARY GLOBAL NOTE

The following exchanges of a part of this Regulation S Temporary Global Note for an interest in another Global Note, or of other Restricted Global Notes for an interest in this Regulation S Temporary Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Note Custodian

_____

[FN]
This should be included only if the Note is issued in global form.

FORM OF CERTIFICATE OF TRANSFER

L-3 Communications Corporation
600 Third Avenue, 34th Floor,
New York, New York 10016

[Registrar address block]

Re: 10 3/8% Senior Subordinated Notes, Due 2007.

Reference is hereby made to the Indenture, dated as of April 30, 1997 (the "Indenture"), between L-3 Communications Corporation, as issuer (the "Company"), and The Bank of New York, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "Transferor") owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of $_____ in such Note[s] or interests (the "Transfer"), to _____ (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1. /_/ Check if Transferee will take delivery of Book-Entry Interests in the 144A Global Note or Definitive Notes Pursuant to Rule 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the Book-Entry Interests or Definitive Notes are being transferred to a Person that the Transferor reasonably believes is purchasing the Book-Entry Interests or Definitive Notes for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred Book-Entry Interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the 144A Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

2. /_/ Check if Transferee will take delivery of Book-Entry Interests in the Temporary Regulation S Global Note, the Regulation S Global Note or Definitive Notes pursuant to Regulation S. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any

Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act and (iii) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the Restricted Period, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than an Initial Purchaser). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred Book-Entry Interest or Definitive Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the Regulation S Global Note and/or the Definitive Note and in the Indenture and the Securities Act.

3. /_/ Check and complete if Transferee will take delivery of Book-Entry Interests in the IAI Global Note or Definitive Notes pursuant to any provision of the Securities Act other than Rule 144A or Regulation S. The Transfer is being effected in compliance with the transfer restrictions applicable to Book-Entry Interests in Restricted Global Notes and Definitive Notes bearing the Private Placement Legend and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any State of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) /_/ such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act;

or

(b) /_/ such Transfer is being effected to the Company or a subsidiary thereof,

or

(c) /_/ such Transfer is being effected pursuant to an effective registration statement under the Securities Act;

or

(d) /_/ such Transfer is being effected to an Institutional Accredited Investor and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144 or Rule 904, and the Transferor hereby further certifies that the Transfer complies with the transfer restrictions applicable to Book-Entry Interests in a Restricted Global Note or Definitive Notes bearing the Private Placement Legend and the requirements of the exemption claimed, which certification is supported by (x) if such Transfer is in respect of a principal amount of Notes at the time of Transfer of $250,000 or more, a certificate executed by the Transferee in the form of Exhibit D to the Indenture, or (y) if such Transfer is in respect of a principal amount of Notes at the time of transfer of less than $250,000, (1) a certificate executed by the Transferee in the form of Exhibit D to the Indenture and (2) an Opinion of Counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that (1) such Transfer is in compliance with the Securities Act and (2) such Transfer complies with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the

transferred Book-Entry Interest or Definitive Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the IAI Global Note and/or the Definitive Notes and in the Indenture and the Securities Act.

4. /_/ Check if Transferee will take delivery of Book-Entry Interests in the Unrestricted Global Note or in Definitive Notes that do not bear the Private Placement Legend.

(a) /_/ Check if Transfer is pursuant to Rule 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred Book-Entry Interests or Definitive Notes will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Definitive Notes bearing the Private Placement Legend and in the Indenture.

(b) /_/ Check if Transfer is Pursuant to Regulation S. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred Book-Entry Interests or Definitive Notes will no longer be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes, on Definitive Notes bearing the Private Placement Legend and in the Indenture.

(c) /_/ Check if Transfer is Pursuant to Other Exemption. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred Book-Entry Interests or Definitive Notes will not be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Global Notes or Definitive Notes bearing the Private Placement Legend and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Transferor]

By: _____
Name:
Title:

Dated: _____, ____

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a) /_/ Book-Entry Interests in the:

(i) /_/ 144A Global Note (CUSIP _____), or

(ii) /_/ Regulation S Global Note (CUSIP _____), or

(iii) /_/ IAI Global Note (CUSIP _____); or

(b) /_/ Restricted Definitive Notes.

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a) /_/ Book-Entry Interests in the:

(i) /_/ 144A Global Note (CUSIP _____), or

(ii) /_/ Regulation S Global Note (CUSIP _____), or

(iii) /_/ IAI Global Note (CUSIP _____); or

(iv) /_/ Unrestricted Global Note (CUSIP _____); or

(b) /_/ Restricted Definitive Notes; or

(c) /_/ Definitive Notes that do not bear the Private Placement Legend,

in accordance with the terms of the Indenture.

FORM OF CERTIFICATE OF EXCHANGE

L-3 Communications Corporation
600 Third Avenue, 34th Floor,
New York, New York 10016
Attention: Vice President-Finance (Fax: 212-805-5470)

Re:10 3/8% Senior Subordinated Notes, Due 2007

(CUSIP _____)

Reference is hereby made to the Indenture, dated as of April __, 1997 (the "Indenture"), between L-3 Communications Corporation, as issuer (the "Company"), and The Bank of New York, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

_____, (the "Holder") owns and proposes to exchange the Note[s] or interest in such Note[s] specified herein, in the principal amount of $_____ in such Note[s] or interests (the "Exchange"). In connection with the Exchange, the Holder hereby certifies that:

1. Exchange of Restricted Definitive Notes or Restricted Book-Entry Interests for Definitive Notes that do not bear the Private Placement Legend or Unrestricted Book-Entry Interests

(a) /_/ Check if Exchange is from Restricted Book-Entry Interest to Unrestricted Book-Entry Interest. In connection with the Exchange of the Holder's Restricted Book-Entry Interest for Unrestricted Book-Entry Interests in an equal principal amount, the Holder hereby certifies (i) the Unrestricted Book-Entry Interests are being acquired for the Holder's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Global Notes and pursuant to and in accordance with the United States Securities Act of 1933, as amended (the "Securities Act"), (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Book-Entry Interests are being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(b) /_/ Check if Exchange is from Restricted Book-Entry Interest to Definitive Notes that do not bear the Private Placement Legend. In connection with the Exchange of the Holder's Restricted Book-Entry Interests for Definitive Notes that do not bear the Private Placement Legend, the Holder hereby certifies (i) the Definitive Notes are being acquired for the Holder's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Definitive Notes are being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(c) /_/ Check if Exchange is from Restricted Definitive Notes to Unrestricted Book-Entry Interests. In connection with the Holder's Exchange of Restricted Definitive Notes for Unrestricted Book-Entry Interests, (i) the Unrestricted Book-Entry Interests are being acquired for the Holder's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Unrestricted Book-Entry Interests are being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

(d) /_/ Check if Exchange is from Restricted Definitive Notes to Definitive Notes that do not bear the Private Placement Legend. In connection with the Holder's Exchange of a Restricted Definitive Note for Definitive Notes that do not bear the Private Placement Legend, the Holder hereby certifies (i) the Definitive Notes that do not bear the Private Placement Legend are being acquired for the Holder's own account without transfer, (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to Restricted Definitive Notes and pursuant to and in accordance with the Securities Act, (iii) the restrictions on transfer contained in the Indenture and the Private Placement Legend are not required in order to maintain compliance with the Securities Act and (iv) the Notes are being acquired in compliance with any applicable blue sky securities laws of any state of the United States.

2. Exchange of Restricted Definitive Notes or Restricted Book-Entry Interests for Restricted Definitive Notes or Restricted Book-Entry Interests

(a) /_/ Check if Exchange is from Restricted Book-Entry Interests to Restricted Definitive Note. In connection with the Exchange of the Holder's Restricted Book-Entry Interest for Restricted Definitive Notes with an equal principal amount, (i) the Restricted Definitive Notes are being acquired for the Holder's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Global Notes and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Restricted Definitive Notes issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the Restricted Definitive Notes and in the Indenture and the Securities Act.

(b) /_/ Check if Exchange is from Restricted Definitive Notes to Restricted Book-Entry Interests. In connection with the Exchange of the Holder's Restricted Definitive Note for Restricted Book-Entry Interests in the [CHECK ONE] /_/ 144A Global Note, /_/ Regulation S Global Note, /_/ IAI Global Note with an equal principal amount, (i) the Definitive Notes are being acquired for the Holder's own account without transfer and (ii) such Exchange has been effected in compliance with the transfer restrictions applicable to the Restricted Definitive Note and pursuant to and in accordance with the Securities Act, and in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Exchange in accordance with the terms of the Indenture, the Book-Entry Interests issued will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed

on the relevant Restricted Global Note and in the Indenture and the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

_____
[Insert Name of Holder]

By: _____
Name:
Title:

Dated: _____, _____

FORM OF CERTIFICATE FROM
ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR

L-3 Communications Corporation
600 Third Avenue, 34th Floor,
New York, New York 10016
Attention: Vice President-Finance (Fax: 212-805-5470)

Re: 10 3/8% Senior Subordinated Notes, Due 2007

Reference is hereby made to the Indenture, dated as of April 30, 1997 (the "Indenture"), between L-3 Communications Corporation, as issuer (the "Company"), and The Bank of New York, as trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $_____ aggregate principal amount at maturity of:

(a) /_/ Book-Entry Interests, or

(b) /_/ Definitive Notes,

we confirm that:

1. We understand that any subsequent transfer of the Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the United States Securities Act of 1933, as amended (the "Securities Act").

2. We understand that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Notes or any interest therein, we will do so only (A) to the Company or any subsidiary thereof, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined therein), (C) to an institutional "accredited investor" (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the Company a signed letter substantially in the form of this letter and, if such transfer is in respect of a principal amount of Notes, at the time of transfer of less than $250,000, an Opinion of Counsel in form reasonably acceptable to the Company to the effect that such transfer is in compliance with the Securities Act, (D) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (E) pursuant to the provisions of Rule 144 under the Securities Act or (F) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any person purchasing the Definitive Notes or Book-Entry Interests from us in a transaction meeting the requirements of clauses (A) through (E) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the Notes or Book-Entry Interests, we will be required to furnish to you and the Company such certifications, legal opinions and other information as you and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us will bear a legend to the foregoing effect. We further understand that any subsequent transfer by us of the Notes or Book-Entry Interests therein acquired by us must be effected through one of the Placement Agents.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the Notes or Book-Entry Interests purchased by us for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

_____
[Insert Name of Accredited Investor]

By: _____
Name:
Title:

Dated: _____, _____

EXHIBIT E

Form of Supplemental Indenture to Be Delivered by Guaranteeing Subsidiary

Supplemental Indenture (this "Supplemental Indenture"), dated as of _____, between _____ (the "Guaranteeing Subsidiary"), a subsidiary of L-3 Communications Corporation (or its permitted successor), a Delaware corporation (the "Company"), and The Bank of New York, as trustee under the indenture referred to below (the "Trustee").

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the "Indenture"), dated as of April 30, 1997 providing for the issuance of an aggregate principal amount of up to $225,000,000 of 10 3/8% Senior Notes due 2007 (the "Notes");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Company's Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "Subsidiary Guarantee"); and

WHEREAS, pursuant to Section 4.13 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee. The Guaranteeing Subsidiary hereby agrees as follows:

(a) The Guaranteeing Subsidiary, jointly and severally with all other Guaranteeing Subsidiaries, if any, unconditionally guarantees to each Holder of a Senior Note authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, regardless of the validity and enforceability of the Indenture, the Notes or the Obligations of the Company under the Indenture or the Notes, that:

(i) the principal of, premium and interest on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium and interest on the Notes, to the extent lawful, and all other Obligations of the Company to the Holders or the Trustee thereunder or under the Indenture will be promptly paid in full, all in accordance with the terms thereof; and

(ii) in case of any extension of time for payment or renewal of any Notes or any of such other Obligations, that the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

(b) Notwithstanding the foregoing, in the event that this Subsidiary Guarantee would constitute or result in a violation of any applicable fraudulent conveyance or similar law of any relevant jurisdiction, the liability of the Guaranteeing Subsidiary under this Supplemental Indenture and its Subsidiary Guarantee shall be reduced to the maximum amount permissible under such fraudulent conveyance or similar law.

3. Execution and Delivery of Subsidiary Guarantees.

(a) To evidence its Subsidiary Guarantee set forth in this Supplemental Indenture, the Guaranteeing Subsidiary hereby agrees that a notation of such Subsidiary Guarantee substantially in the form of Exhibit F to the Indenture shall be endorsed by an officer of such Guaranteeing Subsidiary on each Senior Note authenticated and delivered by the Trustee after the date hereof.

(b) Notwithstanding the foregoing, the Guaranteeing Subsidiary hereby agrees that its Subsidiary Guarantee set forth herein shall remain in full force and effect notwithstanding any failure to endorse on each Senior Note a notation of such Subsidiary Guarantee.

(c) If an Officer whose signature is on this Supplemental Indenture or on the Subsidiary Guarantee no longer holds that office at the time the Trustee authenticates the Senior Note on which a Subsidiary Guarantee is endorsed, the Subsidiary Guarantee shall be valid nevertheless.

(d) The delivery of any Senior Note by the Trustee, after the authentication thereof under the Indenture, shall constitute due delivery of the Subsidiary Guarantee set forth in this Supplemental Indenture on behalf of the Guaranteeing Subsidiary.

(e) The Guaranteeing Subsidiary hereby agrees that its obligations hereunder shall be unconditional, regardless of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Company, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

(f) The Guaranteeing Subsidiary hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest, notice and all demands whatsoever and covenants that

its Subsidiary Guarantee made pursuant to this Supplemental Indenture will not be discharged except by complete performance of the obligations contained in the Notes and the Indenture.

(g) If any Holder or the Trustee is required by any court or otherwise to return to the Company or the Guaranteeing Subsidiary, or any Custodian, Trustee, liquidator or other similar official acting in relation to either the Company or the Guaranteeing Subsidiary, any amount paid by either to the Trustee or such Holder, the Subsidiary Guarantee made pursuant to this Supplemental Indenture, to the extent theretofore discharged, shall be reinstated in full force and effect.

(h) The Guaranteeing Subsidiary agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. The Guaranteeing Subsidiary further agrees that, as between the Guaranteeing Subsidiary, on the one hand, and the Holders and the Trustee, on the other hand:

(i) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 of the Indenture for the purposes of the Subsidiary Guarantee made pursuant to this Supplemental Indenture, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby; and

(ii) in the event of any declaration of acceleration of such obligations as provided in Article 6 of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guaranteeing Subsidiary for the purpose of the Subsidiary Guarantee made pursuant to this Supplemental Indenture.

(i) The Guaranteeing Subsidiary shall have the right to seek contribution from any other non-paying Guaranteeing Subsidiary so long as the exercise of such right does not impair the rights of the Holders or the Trustee under the Subsidiary Guarantee made pursuant to this Supplemental Indenture.

4. Guaranteeing Subsidiary May Consolidate, Etc. on Certain Terms.

(a) Except as set forth in Articles 4 and 5 of the Indenture, nothing contained in the Indenture, this Supplemental Indenture or in the Notes shall prevent any consolidation or merger of the Guaranteeing Subsidiary with or into the Company or any other Guaranteeing Subsidiary or shall prevent any transfer, sale or conveyance of the property of the Guaranteeing Subsidiary as an entirety or substantially as an entirety, to the Company or any other Guaranteeing Subsidiary.

(b) Except as set forth in Article 4 of the Indenture, nothing contained in the Indenture, this Supplemental Indenture or in the Notes shall prevent any consolidation or merger of the

Guaranteeing Subsidiary with or into a corporation or corporations other than the Company or any other Guaranteeing Subsidiary (in each case, whether or not affiliated with the Guaranteeing Subsidiary), or successive consolidations or mergers in which a Guaranteeing Subsidiary or its successor or successors shall be a party or parties, or shall prevent any sale or conveyance of the property of a Guaranteeing Subsidiary as an entirety or substantially as an entirety, to a corporation other than the Company or any other Guaranteeing Subsidiary (in each case, whether or not affiliated with the Guaranteeing Subsidiary) authorized to acquire and operate the same; provided, however, that the Guaranteeing Subsidiary hereby covenants and agrees that (i) subject to the Indenture, upon any such consolidation, merger, sale or conveyance, the due and punctual performance and observance of all of the covenants and conditions of the Indenture and this Supplemental Indenture to be performed by such Guaranteeing Subsidiary, shall be expressly assumed (in the event that the Guaranteeing Subsidiary is not the surviving corporation in the merger), by supplemental indenture satisfactory in form to the Trustee, executed and delivered to the Trustee, by the corporation formed by such consolidation, or into which the Guaranteeing Subsidiary shall have been merged, or by the corporation which shall have acquired such property and (ii) immediately after giving effect to such consolidation, merger, sale or conveyance no Default or Event of Default exists.

(c) In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor corporation, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Subsidiary Guarantee made pursuant to this Supplemental Indenture and the due and punctual performance of all of the covenants and conditions of the Indenture and this Supplemental Indenture to be performed by the Guaranteeing Subsidiary, such successor corporation shall succeed to and be substituted for the Guaranteeing Subsidiary with the same effect as if it had been named herein as the Guaranteeing Subsidiary; provided that, solely for purposes of computing Consolidated Net Income for purposes of clause (b) of the first paragraph of Section 4.07 in the Indenture, the Consolidated Net Income of any Person other than Central Tractor Farm & Country, Inc. and its Restricted Subsidiaries shall only be included for periods subsequent to the effective time of such merger, consolidation, combination or transfer of assets. Such successor corporation thereupon may cause to be signed any or all of the Subsidiary Guarantees to be endorsed upon the Notes issuable under the Indenture which theretofore shall not have been signed by the Company and delivered to the Trustee. All the Subsidiary Guarantees so issued shall in all respects have the same legal rank and benefit under the Indenture and this Supplemental Indenture as the Subsidiary Guarantees theretofore and thereafter issued in accordance with the terms of the Indenture and this Supplemental Indenture as though all of such Subsidiary Guarantees had been issued at the date of the execution hereof.

5. Releases.

(a) Concurrently with any sale of assets (including, if applicable, all of the Capital Stock of the Guaranteeing Subsidiary), all Liens, if any, in favor of the Trustee in the assets sold thereby shall be released; provided that in the event of an Asset Sale, the Net Proceeds from such sale or other disposition are treated in accordance with the provisions of Section 4.10 of the Indenture. If the assets sold in such sale or other disposition include all or substantially all of the assets of the Guaranteeing Subsidiary or all of the Capital Stock of the Guaranteeing Subsidiary, then the Guaranteeing Subsidiary (in the event of a sale or other disposition of all of the Capital Stock of such Guaranteeing Subsidiary) or the Person acquiring the property (in the event of a sale or other disposition of all or substantially all of the assets of such Guaranteeing Subsidiary) shall be released from and relieved of its obligations under this Supplemental Indenture and its Subsidiary Guarantee made pursuant hereto; provided that in the event of an Asset Sale, the Net Proceeds from such sale or other disposition are treated in accordance with the provisions of Section 4.10 of the Indenture. Upon delivery by the Company to the Trustee of an Officers' Certificate to the effect that such sale or other disposition was made by the Company or the Guaranteeing Subsidiary, as the case may be, in accordance with the provisions of the Indenture and this Supplemental Indenture, including without limitation, Section 4.10 of the Indenture, the Trustee shall execute any documents reasonably required in order to evidence the release of the Guaranteeing Subsidiary from its obligations under this Supplemental Indenture and its Subsidiary Guarantee made pursuant hereto. If the Guaranteeing Subsidiary is not released from its obligations under its Subsidiary Guarantee, it shall remain liable for the full amount of principal of and interest on the Notes and for the other obligations of such Guaranteeing Subsidiary under the Indenture as provided in this Supplemental Indenture.

(b) Upon the designation of a Guaranteeing Subsidiary as an Unrestricted Subsidiary in accordance with the terms of the Supplemental Indenture, such Guaranteeing Subsidiary shall be released and relieved of its obligations under its Subsidiary Guarantee and this Supplemental Indenture. Upon delivery by the Company to the Trustee of an Officers' Certificate and an Opinion of Counsel to the effect that such designation of such Guaranteeing Subsidiary as an Unrestricted Subsidiary was made by the Company in accordance with the provisions of this Supplemental Indenture, also including without limitation Section 4.07 of the Indenture, the Trustee shall execute any documents reasonably required in order to evidence the release of such Guaranteeing Subsidiary from its obligations under its Subsidiary Guarantee. Any Guaranteeing Subsidiary not released from its obligations under its Subsidiary Guarantee shall remain liable for the full amount of principal of and interest on the Notes and for the other obligations of any

Guaranteeing Subsidiary under the Indenture as provided in Article 10.

6. No Recourse Against Others. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Company or any Guaranteeing Subsidiary under the Notes, any Subsidiary Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes by accepting a Senior Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the Commission that such a waiver is against public policy.

7. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

8. Counterparts The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

9. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

10. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: _____ ___, ____

[GUARANTEEING SUBSIDIARY]

By: _____
Name:
Title:

Dated: _____ ___, ____

The Bank of New York
as Trustee

By: _____
Name:
Title:

EXHIBIT F

Form of Notation on Senior Subordinated Note Relating to Subsidiary Guarantee

Each Guaranteeing Subsidiary (as defined in the Supplemental Indenture (the "Supplemental Indenture") among _____ and _____, (i) has jointly and severally unconditionally guaranteed (a) the due and punctual payment of the principal of, premium and interest on the Notes, whether at maturity or an interest payment date, by acceleration, call for redemption or otherwise, (b) the due and punctual payment of interest on the overdue principal and premium of, and interest on the Notes, and (c) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise and (ii) has agreed to pay any and all costs and expenses (including reasonable attorneys' fees) incurred by the Trustee or any Holder in enforcing any rights under this Subsidiary Guarantee.

Notwithstanding the foregoing, in the event that the Subsidiary Guarantee of any Guaranteeing Subsidiary would constitute or result in a violation of any applicable fraudulent conveyance or similar law of any relevant jurisdiction, the liability of such Guaranteeing Subsidiary under its Subsidiary Guarantee shall be reduced to the maximum amount permissible under such fraudulent conveyance or similar law.

No past, present or future director, officer, employee, agent, incorporator, stockholder or agent of any Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Company or any Guaranteeing Subsidiary under the Notes, any Subsidiary Guarantee, Indenture, any supplemental indenture delivered pursuant to the Indenture by such Guaranteeing Subsidiary or any Subsidiary Guarantees, or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Senior Note waives and releases all such liability.

This Subsidiary Guarantee shall be binding upon each Guaranteeing Subsidiary and its successors and assigns and shall inure to the benefit of the successors and assigns of the Trustee and the Holders and, in the event of any transfer or assignment of rights by any Holder or the Trustee, the rights and privileges herein conferred upon that party shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof.

This Subsidiary Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Senior Note upon which this Subsidiary Guarantee is noted have been executed by the Trustee under

the Indenture by the manual signature of one of its authorized officers. Capitalized terms used herein have the meaning assigned to them in the Indenture.

[GUARANTEEING SUBSIDIARY]

By:_____
Name:
Title:

EXHIBIT 4.2

CUSIP/CINS _____

10 3/8% Senior Subordinated Notes due 2007

No. ___ $_____

L-3 COMMUNICATIONS CORPORATION

promises to pay to _____

or registered assigns,

the principal sum of _____

Dollars on May 1, 2007.

Interest Payment Dates: May 1, and November 1

Record Dates: April 15, and October 15

Dated: _____, 199__

L-3 Communications Corporation

By:_____
Name:
Title:

By:_____
Name:
Title:

This is one of the [Global]
Notes referred to in the
within-mentioned Indenture:

(SEAL)

Dated:

The Bank of New York,
as Trustee

By:_____

(Back of Note)

10 3/8% Senior Subordinated Notes due 2007

[THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.07 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.11 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.]

[THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE.]

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

_____

[FN]

This paragraph should be included only if the Note is issued in global form.

This paragraph should be included only if applicable pursuant to the terms of the Indenture.

1. Interest. L-3 Communications Corporation, a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at 10 3/8% per annum from April 30, 1997 until maturity and shall pay the Liquidated Damages payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, semi-annually on May 1 and November 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"), with the same force and effect as if made on the date for such payment. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be November 1, 1997. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at the rate then in effect to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages to the Persons who are registered Holders of Notes at the close of business on the April 15 or October 15 next (whether or not a Business Day) preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Company maintained for such purpose within The City and State of New York, or, at the option of the Company, payment of interest and Liquidated Damages may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent if such Holders shall be registered Holders of at least $250,000 in principal amount of the Notes. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. Paying Agent and Registrar. Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. Indenture. The Company issued the Notes under an Indenture dated as of April 30, 1997 ("Indenture") between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such

terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are obligations of the Company limited to $225.0 million in aggregate principal amount, plus amounts, if any, issued to pay Liquidated Damages on outstanding Notes as set forth in Paragraph 2 hereof.

5. Optional Redemption.

(a) Except as set forth in clause (b) of this paragraph 5, the Notes shall not be redeemable at the Company's option prior to May 1, 2002. Thereafter, the Notes shall be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on May 1 of the years indicated below:

Year	Percentage
2002	105.188%
2003	103.458%
2004	101.729%
2005 and thereafter	100.000%

(b) Notwithstanding the foregoing, during the first 36 months after the date of the Indenture, the Company may on any one or more occasions redeem up to an aggregate of 35% of the Notes originally issued at a redemption price of 109.375% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings by the Company or the net cash proceeds of one or more Equity Offerings by Holdings that are contributed to the Company as common equity capital; provided that at least 65% of the Notes originally issued remain outstanding immediately after the occurrence of each such redemption; and provided, further, that any such redemption must occur within 120 days of the date of the closing of such Equity Offering.

6. Mandatory Redemption.

Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemption payments with respect to the Notes.

7. Repurchase at Option of Holder.

(a) If there is a Change of Control, the Company shall be required to make an offer (a "Change of Control Offer") to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of each Holder's Notes at a purchase price equal to 101% of aggregate principle amount thereof plus accrued and unpaid interest, if any, to the date of purchase (in either case, the "Change of Control Payment"). Within 10 days following any Change of Control, the Company shall mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Subsidiary consummates any Asset Sales, within five Business Days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company shall commence an offer to all Holders of Notes (as "Asset Sale Offer") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% thereof on the date fixed for the closing of such offer or 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company (or such Subsidiary) may use such deficiency for general corporate purposes. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes.

8. Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

9. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

10. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

11. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes. Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of the Notes in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such

Holder, or to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

12. Defaults and Remedies. An "Event of Default" occurs if: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the Notes (whether or not prohibited by the subordination provisions of the Indenture); (ii) default in payment when due of the principal of or premium, if any, on the Notes (whether or not prohibited by the subordination provisions of the Indenture); (iii) failure by the Company to comply with the covenants contained in sections 4.10, 4.15 or 5.10 of the Indenture; (iv) failure by the Company for 60 days after notice to comply with any of its other agreements in the Indenture or the Notes; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, aggregates $10.0 million or more; (vi) failure by the Company or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries; and (viii) except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately; provided, however, that so long as any Designated Senior Debt is outstanding, such declaration shall not become effective until the earlier of (i) the day which is five Business Days after receipt by the Representatives of Designated Senior Debt of such notice of acceleration or (ii) the date of acceleration of any Designated Senior Debt. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or any Restricted Subsidiary, all outstanding Notes will become due and payable without further action or notice. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes. If an Event of Default occurs

prior to May 1, 2002 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Notes prior to May 1, 2002, then the premium specified in the Indenture shall also become immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes.

13. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

14. No Recourse Against Others. A director, officer, employee, incorporator or stockholder, of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

15. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

16. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

17. Additional Rights of Holders of Transfer Restricted Securities. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transferred Restricted Securities shall have all the rights set forth in the A/B Exchange Registration Rights Agreement dated as of April 30, 1997, between the Company and the parties named on the signature pages thereof (the "Registration Rights Agreement").

18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. The internal law of the State of New York shall govern and be used to construe this Note, without regard to the principles of conflicts of laws.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

L-3 Communications Corporation
600 Third Avenue, 34th Floor,
New York, New York 10016
Attention: Vice President-Finance (Fax: 212-805-5470)

Assignment Form

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your Signature:_____

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee.

Option of Holder to Elect Purchase

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.15 of the Indenture, check the box below:

/_/ Section 4.10 /_/ Section 4.15

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased: $_____

Date:_____ Your Signature:_____
(Sign exactly as your name appears on the Note)

Tax Identification No.: _____

Signature Guarantee.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Note Custodian

_____

[FN]
This should be included only if the Note is issued in global form.

EXHIBIT 4.3

CUSIP/CINS _____

10 3/8% Series B Senior Subordinated Notes due 2007

No. ___ $_____

L-3 COMMUNICATIONS CORPORATION

promises to pay to _____

or registered assigns,

the principal sum of _____

Dollars on May 1, 2007.

Interest Payment Dates: May 1, and November 1

Record Dates: April 15, and October 15

Dated: _____, 199__

L-3 Communications Corporation

By:_____
Name:
Title:

By:_____
Name:
Title:

This is one of the [Global]
Notes referred to in the
within-mentioned Indenture:

(SEAL)

Dated:

The Bank of New York,
as Trustee

By:_____

(Back of Note)

10 3/8% Senior Subordinated Notes due 2007

[THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE.]

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

_____

[FN]

This paragraph should be included only if the Note is issued in global form.

This paragraph should be included only if applicable pursuant to the terms of the Indenture.

1. Interest. L-3 Communications Corporation, a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Note at 10 3/8% per annum from April 30, 1997 until maturity and shall pay the Liquidated Damages payable pursuant to Section 5 of the Registration Rights Agreement referred to below. The Company will pay interest and Liquidated Damages, if any, semi-annually on May 1 and November 1 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an "Interest Payment Date"), with the same force and effect as if made on the date for such payment. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; provided that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be November 1, 1997. The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at the rate then in effect to the extent lawful; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Liquidated Damages (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Company will pay interest on the Notes (except defaulted interest) and Liquidated Damages to the Persons who are registered Holders of Notes at the close of business on the April 15 or October 15 next (whether or not a Business Day) preceding the Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.12 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, premium and Liquidated Damages, if any, and interest at the office or agency of the Company maintained for such purpose within The City and State of New York, or, at the option of the Company, payment of interest and Liquidated Damages may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and provided that payment by wire transfer of immediately available funds will be required with respect to principal of and interest, premium and Liquidated Damages on, all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions to the Company or the Paying Agent if such Holders shall be registered Holders of at least $250,000 in principal amount of the Notes. Such payment shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

3. Paying Agent and Registrar. Initially, The Bank of New York, the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent or Registrar without notice to any Holder. The Company or any of its Subsidiaries may act in any such capacity.

4. Indenture. The Company issued the Notes under an Indenture dated as of April 30, 1997 ("Indenture") between the Company and the Trustee. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb). The Notes are subject to all such

terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling. The Notes are obligations of the Company limited to $225.0 million in aggregate principal amount, plus amounts, if any, issued to pay Liquidated Damages on outstanding Notes as set forth in Paragraph 2 hereof.

5. Optional Redemption.

(a) Except as set forth in clause (b) of this paragraph 5, the Notes shall not be redeemable at the Company's option prior to May 1, 2002. Thereafter, the Notes shall be subject to redemption at any time at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the applicable redemption date, if redeemed during the twelve-month period beginning on May 1 of the years indicated below:

Year	Percentage
2002	105.188%
2003	103.458%
2004	101.729%
2005 and thereafter	100.000%

(b) Notwithstanding the foregoing, during the first 36 months after the date of the Indenture, the Company may on any one or more occasions redeem up to an aggregate of 35% of the Notes originally issued at a redemption price of 109.375% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages thereon, if any, to the redemption date, with the net cash proceeds of one or more Equity Offerings by the Company or the net cash proceeds of one or more Equity Offerings by Holdings that are contributed to the Company as common equity capital; provided that at least 65% of the Notes originally issued remain outstanding immediately after the occurrence of each such redemption; and provided, further, that any such redemption must occur within 120 days of the date of the closing of such Equity Offering.

6. Mandatory Redemption.

Except as set forth in paragraph 7 below, the Company shall not be required to make mandatory redemption payments with respect to the Notes.

7. Repurchase at Option of Holder.

(a) If there is a Change of Control, the Company shall be required to make an offer (a "Change of Control Offer") to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of each Holder's Notes at a purchase price equal to 101% of aggregate principle amount thereof plus accrued and unpaid interest, if any, to the date of purchase (in either case, the "Change of Control Payment"). Within 10 days following any Change of Control, the Company shall mail a notice to each Holder setting forth the procedures governing the Change of Control Offer as required by the Indenture.

(b) If the Company or a Subsidiary consummates any Asset Sales, within five Business Days of each date on which the aggregate amount of Excess Proceeds exceeds $10.0 million, the Company shall commence an offer to all Holders of Notes (as "Asset Sale Offer") pursuant to Section 3.09 of the Indenture to purchase the maximum principal amount of Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% thereof on the date fixed for the closing of such offer or 100% of the principal amount thereof plus accrued and unpaid interest, if any, to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Indenture. To the extent that the aggregate amount of Notes tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Company (or such Subsidiary) may use such deficiency for general corporate purposes. If the aggregate principal amount of Notes surrendered by Holders thereof exceeds the amount of Excess Proceeds, the Trustee shall select the Notes to be purchased on a pro rata basis. Holders of Notes that are the subject of an offer to purchase will receive an Asset Sale Offer from the Company prior to any related purchase date and may elect to have such Notes purchased by completing the form entitled "Option of Holder to Elect Purchase" on the reverse of the Notes.

8. Notice of Redemption. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Notes are to be redeemed at its registered address. Notes in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000, unless all of the Notes held by a Holder are to be redeemed. On and after the redemption date interest ceases to accrue on Notes or portions thereof called for redemption.

9. Denominations, Transfer, Exchange. The Notes are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Notes may be registered and Notes may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company need not exchange or register the transfer of any Note or portion of a Note selected for redemption, except for the unredeemed portion of any Note being redeemed in part. Also, it need not exchange or register the transfer of any Notes for a period of 15 days before a selection of Notes to be redeemed or during the period between a record date and the corresponding Interest Payment Date.

10. Persons Deemed Owners. The registered Holder of a Note may be treated as its owner for all purposes.

11. Amendment, Supplement and Waiver. Subject to certain exceptions, the Indenture or the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes, and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes. Without the consent of any Holder of a Note, the Indenture or the Notes may be amended or supplemented to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to Holders of the Notes in case of a merger or consolidation, to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights under the Indenture of any such

Holder, or to comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

12. Defaults and Remedies. An "Event of Default" occurs if: (i) default for 30 days in the payment when due of interest on, or Liquidated Damages with respect to, the Notes (whether or not prohibited by the subordination provisions of the Indenture); (ii) default in payment when due of the principal of or premium, if any, on the Notes (whether or not prohibited by the subordination provisions of the Indenture); (iii) failure by the Company to comply with the covenants contained in sections 4.10, 4.15 or 5.10 of the Indenture; (iv) failure by the Company for 60 days after notice to comply with any of its other agreements in the Indenture or the Notes; (v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or guarantee now exists, or is created after the Issue Date, which default results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, aggregates $10.0 million or more; (vi) failure by the Company or any of its Restricted Subsidiaries to pay final judgments aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (vii) certain events of bankruptcy or insolvency with respect to the Company or any of its Significant Subsidiaries; and (viii) except as permitted by the Indenture, any Subsidiary Guarantee shall be held in any judicial proceeding to be unenforceable or invalid.

If any Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately; provided, however, that so long as any Designated Senior Debt is outstanding, such declaration shall not become effective until the earlier of (i) the day which is five Business Days after receipt by the Representatives of Designated Senior Debt of such notice of acceleration or (ii) the date of acceleration of any Designated Senior Debt. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company or any Restricted Subsidiary, all outstanding Notes will become due and payable without further action or notice. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes. If an Event of Default occurs

prior to May 1, 2002 by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Notes prior to May 1, 2002, then the premium specified in the Indenture shall also become immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest on, or the principal of, the Notes.

13. Trustee Dealings with Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

14. No Recourse Against Others. A director, officer, employee, incorporator or stockholder, of the Company, as such, shall not have any liability for any obligations of the Company under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

15. Authentication. This Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

16. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

17. Additional Rights of Holders of Transfer Restricted Securities. In addition to the rights provided to Holders of Notes under the Indenture, Holders of Transferred Restricted Securities shall have all the rights set forth in the A/B Exchange Registration Rights Agreement dated as of April 30, 1997, between the Company and the parties named on the signature pages thereof (the "Registration Rights Agreement").

18. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. The internal law of the State of New York shall govern and be used to construe this Note, without regard to the principles of conflicts of laws.

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture and/or the Registration Rights Agreement. Requests may be made to:

L-3 Communications Corporation
600 Third Avenue, 34th Floor,
New York, New York 10016
Attention: Vice President-Finance (Fax: 212-805-5470)

Assignment Form

To assign this Note, fill in the form below: (I) or (we) assign and transfer this Note to

_____

(Insert assignee's soc. sec. or tax I.D. no.)

_____

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Note on the books of the Company. The agent may substitute another to act for him.

_____

Date: _____

Your Signature:_____

(Sign exactly as your name appears on the face of this Note)

Signature Guarantee.

Option of Holder to Elect Purchase

If you want to elect to have this Note purchased by the Company pursuant to Section 4.10 or 4.15 of the Indenture, check the box below:

/_/ Section 4.10 /_/ Section 4.15

If you want to elect to have only part of the Note purchased by the Company pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased: $_____

Date:_____ Your Signature:_____
(Sign exactly as your name appears on the Note)

Tax Identification No.: _____

Signature Guarantee.

SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Note, or exchanges of a part of another Global Note or Definitive Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease (or increase)	Signature of authorized officer of Trustee or Note Custodian

_____

[FN]
This should be included only if the Note is issued in global form.

Exhibit 5

September 10, 1997

L-3 Communications Corporation
600 Third Avenue
New York, New York 10016

Ladies and Gentlemen:

We have acted as special counsel for L-3 Communications Corporation, a Delaware corporation (the "Company"), in connection with the Registration Statement on Form S-4 (the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the issuance by the Company of $225,000,000 aggregate principal amount of its 10-3/8% Series B Senior Subordinated Notes due 2007 (the "Exchange Notes"). The Exchange Notes are to be offered by the Company in exchange for (the "Exchange") $225,000,000 aggregate principal amount of its outstanding 10-3/8% Senior Subordinated Notes due 2007 (the "Notes"). The Notes have been, and the Exchange Notes will be, issued under an Indenture dated as of April 30, 1997 (the "Indenture") between the Company and The Bank of New York, as Trustee (the "Trustee").

We have examined the Registration Statement and the Indenture which has been filed with the Commission as an Exhibit to the Registration Statement. In addition, we have examined, and have relied as to matters of fact upon, the originals or copies, certified or otherwise identified to our satisfaction, of such corporate records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the Company, and have made such other

and further investigations, as we have deemed relevant and necessary as a basis for the opinion hereinafter set forth.

In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, assuming the Indenture has been duly authorized and validly executed and delivered by the parties thereto, when (i) the Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and (ii) the Exchange Notes have been duly executed, authenticated, issued and delivered in accordance with the provisions of the Indenture upon the Exchange, we are of the opinion that the Exchange Notes will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms and entitled to the benefits of the Indenture.

Our opinion set forth in the preceding sentence is subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

We are members of the Bar of the State of New York and we do not express any opinion herein concerning any law other than the law of the State of New York, the federal law of the United States and the Delaware General Corporation Law.

We hereby consent to the use of this opinion as an Exhibit to the Registration Statement and to the reference to our firm under the caption "Legal Matters" in the Prospectus included therein.

Very truly yours,

/s/SIMPSON THACHER & BARTLETT
SIMPSON THACHER & BARTLETT

EXHIBIT 10.1

L-3 COMMUNICATIONS CORPORATION,
a Delaware corporation

_____

CREDIT AGREEMENT

dated as of April 30, 1997

_____

$275,000,000
Credit Facility

_____

LEHMAN COMMERCIAL PAPER INC.,
as Arranger, Syndication Agent and Documentation Agent,

and

BANK OF AMERICA NT & SA
as Administrative Agent

TABLE OF CONTENTS

EXHIBITS

SCHEDULES

CREDIT AGREEMENT, dated as of April 30, 1997, among L-3 Communications Corporation, a Delaware corporation (the "Borrower") which is wholly owned by L-3 Communications Holdings, Inc., a Delaware corporation ("Holdings"), the several lenders from time to time parties hereto (the "Lenders"), Lehman Commercial Paper Inc. ("LCPI") as arranger (in such capacity, the "Arranger"), LCPI, as syndication agent (in such capacity, the "Syndication Agent"), LCPI, as documentation agent (in such capacity, the "Documentation Agent") and Bank of America NT & SA ("BOA"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Borrower is a party to the Transaction Agreement, dated as of March 28, 1997 (as amended through the date hereof the "Transaction Agreement"), by and among Lockheed Martin Corporation, a Maryland corporation (the "Seller"), the Borrower, Lehman Brothers Capital Partners III, L.P. ("Capital Partners") and its Affiliates, Frank C. Lanza and Robert V. LaPenta;

WHEREAS, pursuant to the Transaction Agreement, on the Closing Date: (i) the Seller, on behalf of itself and its various transferor subsidiaries, will transfer (the "Asset Contribution") to the Borrower, on behalf of and at the direction of Holdings, the Transferred Assets (as defined in the Transaction Agreement); (ii) Holdings will issue to the Seller 6,980,000 shares of its Class A Common Stock par value $.01 per share; (iii) Holdings will pay the Seller $479,835,000 in cash (subject to adjustment as provided in the Transaction Agreement) (the "Cash Consideration"); and (iv) the Borrower, on behalf of and at the direction of Holdings, will assume the Assumed Liabilities (as defined in the Transaction Agreement);

WHEREAS, Holdings' obligation to pay the Cash Consideration will be financed with (i) an investment of not less than $79,835,000 in Holdings Class A Common Stock (the "Equity Investment"), of which (x) $64,835,000 will be provided by Capital Partners and (y) $7,500,000 will be provided by each of Frank C. Lanza and Robert J. LaPenta, (ii) the issuance and sale by the Borrower of senior subordinated debt securities for cash proceeds of at least $225.0 million (the "Securities Offering") and (iii) senior debt financing;

WHEREAS, the Borrower has requested the Lenders to extend credit to it (i) to finance a portion of the Cash Consideration to be paid by Holdings in connection with the Asset Contribution and (ii) for working capital and general corporate purposes of the Borrower and its Subsidiaries after the Closing Date; and

WHEREAS, the Lenders are willing to extend such credit to the Borrower upon and subject to the terms and conditions hereafter set forth;

NOW, THEREFORE, parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Adjustment Date": the fifth day following the receipt by the Administrative Agent of the financial statements for the most recently completed fiscal period furnished pursuant to subsection 6.1(a) or (b), as the case may be, and the compliance certificate with respect to such financial statements furnished pursuant to subsection 6.2(c). For purposes of determining the Applicable Margin and the Commitment Fee Rate, the first "Adjustment Date" shall mean the date on which the financial statements for the fiscal quarter ended September 30, 1997 furnished pursuant to subsection 6.1(b) and the related compliance certificate furnished pursuant to subsection 6.2(c) are delivered to the Administrative Agent pursuant to subsection 6.1(b) and 6.2(c), respectively.

"Affiliate": as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agents": the collective reference to the Syndication Agent, the Documentation Agent and the Administrative Agent.

"Aggregate Outstanding Extensions of Credit": as to any Lender with respect to any Type of Loan at any time, an amount equal to the sum of (a) the aggregate principal amount of all Loans of such Type made by such Lender then outstanding and (b) in the case of Revolving Credit Loans, such Lender's Commitment Percentage of the L/C Obligations then outstanding.

"Agreement": this Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Applicable Margin": at any time, the percentages set forth on Schedule II under the relevant column heading opposite the level of the Debt Ratio most recently determined; provided that (a) the Applicable Margins commencing on the Closing Date shall be those set forth in Schedule II opposite a Debt Ratio captioned "greater than or equal to 4.75" until the first Adjustment Date, (b) the Applicable Margins determined for any Adjustment Date (including the first Adjustment Date) shall remain in effect until a subsequent Adjustment Date for which the Debt Ratio falls within a different level and (c) if the financial statements and related compliance certificate for any fiscal period are not delivered by the date due pursuant to subsections 6.1 and 6.2, the Applicable Margins shall be (i) for the first 35 days subsequent to such due date, the Applicable Margin in effect prior to such due date and (ii) thereafter, those set forth opposite a Debt Ratio captioned "greater than or equal to 4.75," in either case, until the date of delivery of such financial statements and compliance certificate.

"Application": an application, in such form as the Issuing Lender may specify from time to time, requesting the Issuing Lender to issue a Letter of Credit.

"Asset Contribution": as defined in the recitals to this Agreement.

"Asset Sale": any sale, sale-leaseback, or other disposition by any Person or any Subsidiary thereof of any of its property or assets, including the stock of any Subsidiary of such Person, except sales and dispositions permitted by subsection 7.6 other than subsection 7.6(b) or (e).

"Assignee": as defined in subsection 10.6(c).

"Attributable Debt": in respect of a sale and leaseback transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended).

"Available Commitment": as to any Lender and any Type of Loan, at any time, an amount equal to the excess, if any, of (a) such Lender's Commitment with respect to such Type of Loan over (b) such Lender's Aggregate Outstanding Extensions of Credit with respect to such Type of Loan.

"Base Rate": means, for any day, the higher of: (a) 0.50% per annum above the latest Federal Funds Rate; and (b) the rate of interest in effect for such day as publicly announced from time to time by BOA in San Francisco, California, as its "reference rate." (The "reference rate" is a rate set by BOA based upon various factors including BOA'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.)

"Base Rate Loans": Loans the rate of interest applicable to which is based upon the Base Rate.

"BOA": as defined in the recitals to this Agreement.

"Borrower Pledge and Security Agreement": the Borrower Pledge and Security Agreement substantially in the form of Exhibit B-4, to be executed and delivered by the Borrower, as the same may be amended, supplemented or otherwise modified.

"Borrowing Date": any Business Day specified in a notice pursuant to subsection 2.2 as a date on which the Borrower requests the Lenders to make Loans hereunder.

"Business": as defined in subsection 4.16.

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City or San Francisco, California are authorized or required by law to close and, if the applicable Business Day relates to Eurodollar Loans, any day on which dealings are carried on in the applicable London interbank market.

"Capital Expenditures" shall mean, for any fiscal period, the aggregate of all expenditures that, in conformity with GAAP (but excluding capitalized interest), are or are required to be included as additions during such period to property, plant or equipment reflected on the consolidated balance sheet of the Borrower and its Subsidiaries, excluding the expenditures relating to the Transaction.

"Capital Lease Obligations": of any Person as of the date of determination, the aggregate liability of such Person under Financing Leases reflected on a balance sheet of such Person under GAAP.

"Capital Partners": as defined in the recitals to this Agreement.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Cash Consideration": as defined in the recitals to this Agreement.

"Cash Equivalents": (a) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed or insured by the United States Government or any agency thereof, (b) certificates of deposit and time deposits with maturities of one year or less from the date of acquisition and overnight bank deposits of any Lender or of any commercial bank having capital and surplus in excess of $500,000,000, (c) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 90 days with respect to securities issued or fully guaranteed or insured by the United States Government, (d) commercial paper of a domestic issuer rated at least A-2 by Standard and Poor's Rating Group ("S&P") or P-2 by Moody's Investors Service, Inc. ("Moody's"), or carrying an equivalent rating by a nationally recognized rating agency if both of S&P and Moody's cease publishing ratings of investments, (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's, (f) securities with maturities of one year or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

"Change of Control": the occurrence of any of the following events:

(i) the Principals and their Related Parties, as a whole, shall at any time cease to own, directly or indirectly, 60% of the Capital Stock of Holdings, determined on a fully diluted basis; or

(ii) the Principals or their Related Parties, as a whole, shall at any time cease to own, determined on a fully diluted basis, sufficient shares of the Capital Stock of Holdings, determined on a fully diluted basis, to elect a majority of the Board of Directors of Holdings and the Borrower or otherwise cease to have the right or ability, by voting power, contract or otherwise, to elect or designate for election a majority of the Board of Directors of Holdings and the Borrower; or

(iii) Holdings shall, at any time, cease to own 100% of the Capital Stock of the Borrower; or

(iv) a "Change of Control" shall have occurred under the Indenture.

"Class": (i) Lenders having Tranche A Term Loan Exposure and/or Revolving Loan Exposure (taken together as a single class), (ii) Lenders having Tranche B Term Loan Exposure and (iii) Lenders having Tranche C Term Loan Exposure.

"Closing Date": the date on which the conditions precedent set forth in subsection 5.1 shall be satisfied.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all assets of the Credit Parties, now owned or hereinafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commitment": as to any Lender, such Lender's Tranche A Term Loan Commitment, Tranche B Term Loan Commitment, Tranche C Term Loan Commitment and Revolving Credit Commitment.

"Commitment Letter": the Commitment Letter, dated as of April 2, 1997, among Holdings, the Borrower and LCPI, as the same may be amended, supplemented or otherwise modified from time to time.

"Commitment Fee Rate": at any time, the rates per annum set forth on Schedule II under the relevant column heading opposite the level of the Debt Ratio most recently determined; provided that (a) the Commitment Fee Rate commencing on the Closing Date shall be that set forth in Schedule II opposite a Debt Ratio captioned "greater than or equal to 4.75" until the first Adjustment Date, (b) the Commitment Fee Rate determined for any Adjustment Date (including the first Adjustment Date) shall remain in effect until a subsequent Adjustment Date for which the Debt Ratio falls within a different level and (c) if the financial statements and related compliance certificate for any fiscal period are not delivered by the date due pursuant to subsections 6.1 and 6.2, the Commitment Fee Rate shall be (i) for the first 35 days subsequent to such due date, the Commitment Fee Rate in effect prior to such due date and (ii) thereafter, that set forth opposite a Debt Ratio captioned "greater than or equal to 4.75," in either case, until the date of delivery of such financial statements and compliance certificate.

"Commitment Percentage": as to the Commitment of any Lender with respect to any Type of Loan at any time, the percentage which the Commitment of such Lender with respect to such Type of Loan then constitutes of the aggregate Commitments with respect to such Type of Loan (or, at any time after such Commitments shall have expired or terminated, the percentage which the aggregate amount of the Aggregate Outstanding Extensions of Credit of such Lender with respect to such Type of Loan constitutes of the aggregate amount of the Aggregate Outstanding Extensions of Credit of all Lenders with respect to such Type of Loan).

"Commitment Period": the period from and including the date hereof to but not including the Revolving Loan Termination Date or such earlier date on which the Revolving Credit Commitments shall terminate as provided herein.

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 (b) or (c) of the Code.

"Consolidated EBITDA": as of the last day of any fiscal quarter, Consolidated Net Income (excluding without duplication, (x) extraordinary gains and losses in accordance with GAAP, (y) gains and losses in connection with asset dispositions whether or not constituting extraordinary gains and losses and (z) gains or losses on discontinued operations) for such period, plus (i) Consolidated Cash Interest Expense for such period, plus (ii) to the extent deducted in computing such Consolidated Net Income, the sum of income taxes, depreciation and amortization for the four fiscal quarters ended on such date; provided that for any calculation of Consolidated EBITDA for any fiscal period ending during the first three full fiscal quarters following March 31, 1997, Consolidated EBITDA shall be deemed to be Consolidated EBITDA from March 31, 1997 to the last day of such period multiplied by a fraction the numerator of which is 365 and the denominator of which is the number of days from March 31, 1997 to the last day of such period.

"Consolidated Cash Interest Expense": as of the last day of any fiscal quarter, the amount of interest expense, payable in cash, of the Borrower and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP for the four fiscal quarters ended on such date; provided that for any calculation of Consolidated Cash Interest Expense for any fiscal period ending during the first three full fiscal quarters following March 31, 1997, Consolidated Cash Interest Expense shall be deemed to be Consolidated Cash Interest Expense from March 31, 1997 to the last day of such period multiplied by a fraction the numerator of which is 365 and the denominator of which is the number of days from March 31, 1997 to the last day of such period.

"Consolidated Net Income": for any fiscal period, net income of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Consolidated Total Debt": at any date, all Indebtedness of the Borrower and its Subsidiaries outstanding on such date for borrowed money or the deferred purchase price of property, including, without

limitation, in respect of Financing Leases but excluding Indebtedness permitted pursuant to subsection 7.2(h).

"Consolidated Working Capital": at any date, the excess of (a) the sum of all amounts (other than cash and Cash Equivalents) that would, in accordance with GAAP, be set forth opposite the caption "total current assets" (or any like caption) on a consolidated balance sheet of the Borrower and its Subsidiaries at such date over (b) the sum of all amounts that would, in accordance with GAAP, be set forth opposite the caption "total current liabilities" (or any like caption) on a consolidated balance sheet of the Borrower and its Subsidiaries on such date (excluding, to the extent it would otherwise be included under current liabilities, any short-term Consolidated Total Debt and the current portion of any long-term Consolidated Total Debt).

"Constitutional Documents": as to any Person, the articles or certificate of incorporation and by-laws, partnership agreement or other organizational documents of such Person.

"Contingent Purchase Price Receipts": at any date, the aggregate cash received by Holdings, the Borrower or any of their Subsidiaries in respect of any purchase price adjustment made pursuant to, or in connection with, the Transaction Agreement subsequent to the date hereof.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Credit Documents": this Agreement, the Notes, the Applications, the Guarantees and the Security Documents.

"Credit Parties": the Borrower, Holdings, and each Subsidiary of the Borrower which is a party to a Credit Document.

"Debt Ratio": as at the last day of any fiscal quarter, the ratio of (a) Consolidated Total Debt on such date to (b) Consolidated EBITDA.

"Default": any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Dollars" and "$": dollars in lawful currency of the United States of America.

"Environmental Laws": any and all laws, rules, orders, regulations, statutes, ordinances, codes, decrees, or other legally enforceable requirement (including, without limitation, common law) of any foreign government, the United States, or any state, local, municipal or other governmental authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or of human health as affected by the environment as has been, is now, or may at any time hereafter be, in effect, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601 et seq.; the Toxic Substance Control Act, 15 U.S.C. Sections 9601

et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1802 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Sections 6901 et seq.; the Clean Water Act; 33 U.S.C. Sections 1251 et seq.; the Clean Air Act, 42 U.S.C. Sections 7401 et seq.; or other similar federal and/or state environmental laws.

"Environmental Permits": any and all permits, licenses, registrations, notifications, exemptions and any other authorization required under any applicable Environmental Law.

"Equity Documents": the Stockholder Agreement, the Subscription Agreements and the Option Agreements.

"Equity Investment": as defined in the recitals to this Agreement.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": means for any day for any Interest Period the maximum reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day (whether or not applicable to any Lender) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities").

"Eurodollar Loans": Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": means, for any Interest Period, with respect to Eurodollar Loans comprising part of the same borrowing, the rate of interest per annum (rounded upward to the next 1/16th of 1%) determined by the Administrative Agent as follows:

$$\text{Eurodollar Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

"Eurodollar Reserve Percentage": for any day for any Interest Period the maximum reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day (whether or not applicable to any Lender) under regulations issued from time to time by the FRB for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as "Eurocurrency liabilities").

"Event of Default": any of the events specified in Section 8, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Excess Cash Flow": for any fiscal year of the Borrower, the excess of (a) the sum, without duplication, of (i) Consolidated Net Income for such fiscal year, (ii) the net decrease, if any, in Consolidated Working Capital during such fiscal year, (iii) to the extent deducted in computing such Consolidated Net Income, non-cash

interest expense, depreciation and amortization for such fiscal year, (iv) extraordinary non-cash losses during such fiscal year subtracted in the determination of Consolidated Net Income for such fiscal year, (v) change in deferred tax liability of the Borrower for such fiscal year, (vi) non-cash losses in connection with asset dispositions whether or not constituting extraordinary losses, (vii) non-cash ordinary losses and (viii) Contingent Purchase Price Receipts in excess of $10,000,000 over (b) the sum, without duplication, of (i) the aggregate amount of permitted cash Capital Expenditures made by the Borrower and its Subsidiaries during such fiscal year, (ii) the net increase, if any, in Consolidated Working Capital during such fiscal year, (iii) the aggregate amount of payments of principal in respect of any Indebtedness not prohibited hereunder during such fiscal year (other than prepayments of Revolving Credit Loans not accompanied by reductions of the Commitments), (iv) deferred income tax credit of the Borrower for such fiscal year, (v) extraordinary non-cash gains during such fiscal year added in the determination of Consolidated Net Income for such fiscal year, (vi) non-cash gains in connection with asset dispositions whether or not constituting extraordinary gains and (vii) non-cash ordinary gains.

"Excess Cash Flow Payment Date": in respect of any fiscal year, the date on which the Borrower is required to deliver audited financial statements for such fiscal year to each Lender pursuant to subsection 6.1(a).

"Financing Lease": any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with GAAP to be capitalized on a balance sheet of the lessee.

"Final Maturity Date": March 31, 2006.

"Foreign Subsidiary": any Subsidiary which is organized under the laws of any jurisdiction outside the United States or under the laws of the U.S. Virgin Islands.

"FRB": means the Board of Governors of the Federal Reserve System, and any governmental authority succeeding to any of its principal functions.

"GAAP": generally accepted accounting principles in the United States of America in effect from on the Closing Date.

"GC Notice Recipient": with respect to any Government Contract, the true and correct (x) contracting officer, or the head of the respective U.S. government department or agency, (y) surety or sureties upon the bond or bonds, if any, in connection with such Government Contract, and (z) disbursing officer, if any designated in such Government Contract to make payment.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another

Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, reimbursement obligations under letters of credit and any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Guarantees": the Parent Guarantee and the Subsidiary Guarantees.

"Indebtedness": of any Person at any date, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices and accrued expenses incurred in the ordinary course of business), (b) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (c) all obligations of such Person under Financing Leases, (d) all obligations of such Person in respect of acceptances issued or created for the account of such Person, (e) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof and (f) all Attributable Debt of such Person with respect to sale and leaseback transactions of such Person.

"Indenture": the Indenture between the Borrower and The Bank of New York, as trustee, pursuant to which the Subordinated Notes are issued.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Interest Payment Date": (a) as to any Base Rate Loan, the last Business Day of each March, June, September and December, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last Business Day of such Interest Period, and (c) as to any Eurodollar Loan having an interest period longer than three months, (i) each Business Day which is three months or a whole multiple thereof after the first day of such Interest Period and (ii) the last Business Day of such Interest Period.

"Interest Period": with respect to any Eurodollar Loan:

(a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and

(b) thereafter, each period commencing on the last day of the preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto;

provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period pertaining to a Eurodollar Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period for any Loan that would otherwise extend beyond the Termination Date of such Loan shall end on the Termination Date of such Loan;

(iii) any Interest Period pertaining to a Eurodollar Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month in which such Interest Period would otherwise be scheduled to end) shall end on the last Business Day of the appropriate calendar month; and

(iv) no Interest Period with respect to any portion of any Type of Term Loan shall extend beyond a date on which the Borrower is required to make a scheduled payment of principal of Term Loans of such Type unless the sum of (a) the aggregate principal amount of Term Loans of such Type that are Base Rate Loans plus (b) the aggregate principal amount of Term Loans of such Type that are Eurodollar Rate Loans with Interest Periods expiring on or before

such date equals or exceeds the principal amount required to be paid on Term Loans of such Type on such date.

"Interest Rate Agreement": any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement.

"Interest Rate Agreement Obligations": the obligations of the Borrower or any of its Subsidiaries to make payments to counterparties under Interest Rate Agreements in the event of the occurrence of a termination event thereunder.

"Issuing Lender": BOA, in its capacity as issuer of any Letter of Credit or, at the election of BOA, such other Lender or Lenders that agree to act as Issuing Lender at the request of the Company.

"LCPI": as defined in the recitals to this Agreement.

"L/C Commitment": $15,000,000.

"L/C Fee Payment Date": the last Business Day of each March, June, September and December.

"L/C Obligations": at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to subsection 3.5.

"L/C Participants": the collective reference to all the Revolving Credit Lenders other than the Issuing Lender.

"Lender" and "Lenders": the persons identified as Lenders and listed on the signature pages of this Agreement (including the Issuing Bank and the Swing Line Lender), together with their successors and permitted assigns pursuant to subsection 10.6; provided that the term "Lenders", when used in the context of a particular Commitment, shall mean Lenders having that Commitment.

"Letters of Credit": as defined in subsection 3.1.

"LIBOR": the rate of interest per annum determined by the Administrative Agent to be the arithmetic mean (rounded upward to the next 1/16th of 1%) of the rates of interest per annum notified to the Administrative Agent by each Reference Bank as the rate of interest at which dollar deposits in the approximate amount of the amount of the Loan to be made or continued as, or converted into, a Eurodollar Rate Loan by such Reference Bank and having a maturity comparable to such Interest Period would be offered to major banks in the London interbank market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title

retention agreement and any Financing Lease having substantially the same economic effect as any of the foregoing).

"Loan": any loan made by any Lender pursuant to this Agreement.

"Lockheed Martin Predecessor Businesses": the businesses to be transferred by the Seller and its Subsidiaries to the Borrower pursuant to the Transaction Agreement.

"Loral Acquired Businesses": that portion of the Lockheed Martin Predecessor Businesses consisting of the Seller's Wide Band Systems Division and Products Group, comprised of ten autonomous operations, acquired by the Seller effective April 1, 1996, as part of the acquisition by the Seller of the defense electronics business of Loral Corporation.

"Material Adverse Effect": a material adverse effect on (a) the business, assets, operations, property or condition (financial or otherwise) of Holdings and its Subsidiaries taken as a whole, (b) the validity or enforceability of this or any of the other Credit Documents or the rights or remedies of the Agents or the Lenders hereunder or thereunder or (c) the Transaction.

"Materials of Environmental Concern": any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under, or that could give rise to liability under, any applicable Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls, urea-formaldehyde insulation, gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products.

"Mortgages": the collective reference to the mortgages and deeds of trust to be executed and delivered by the Borrower or the appropriate Subsidiary, substantially in the forms of Exhibit C-1 and C-2 (with such changes therein as may be required to reflect different laws and practices in the various jurisdictions in which the Mortgages are to be recorded), covering the parcels of real property identified in Schedule III, as the same may be amended, supplemented or otherwise modified from time to time.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Proceeds": the aggregate cash proceeds (including Cash Equivalents) received by Holdings or any of its Subsidiaries in respect of:

(a) any issuance by the Borrower or any of its Subsidiaries of Indebtedness after the Closing Date;

(b) any Asset Sale; and

(c) any cash payments received in respect of promissory notes or other evidences of indebtedness delivered to Holdings or such Subsidiary in respect of an Asset Sale;

in each case net of (without duplication) (i), (A) in the case of an Asset Sale, the amount required to repay any Indebtedness (other than the Loans) secured by a Lien on any assets of Holdings or a Subsidiary of Holdings that are sold or otherwise disposed of in connection with such Asset Sale and (B) reasonable and appropriate amounts established by Holdings or such Subsidiary, as the case may be, as a reserve against liabilities associated with such Asset Sale and retained by Holdings or such Subsidiary, (ii) the reasonable expenses (including legal fees and brokers' and underwriters' commissions, lenders fees, credit enhancement fees, accountants' fees, investment banking fees, survey costs, title insurance premiums and other customary fees, in any case, paid to third parties or, to the extent permitted hereby, Affiliates) incurred in effecting such issuance or sale and (iii) any taxes reasonably attributable to such sale and reasonably estimated by Holdings or such Subsidiary to be actually payable.

"Non-Excluded Taxes": as defined in subsection 2.15.

"Non-U.S. Lender": as defined in subsection 2.15(b).

"Notes": The Tranche A Term Notes, the Tranche B Term Notes, the Tranche C Term Notes, the Revolving Credit Notes and the Swing Line Note (or any of them).

"Novation Agreement": as defined in the Transaction Agreement.

"Obligations": as defined in the Guarantees and the Security Documents.

"Option Agreements": the Option Agreements between Holdings and each of Frank C. Lanza and Robert V. LaPenta, each dated as of the Closing Date.

"Parent Distributions": as defined in the Parent Guarantee.

"Parent Guarantee": the Parent Guarantee substantially in the form of Exhibit B-1, to be executed and delivered by Holdings, as the same may be amended, supplemented or otherwise modified.

"Parent Pledge and Security Agreement": the Parent Pledge and Security Agreement substantially in the form of Exhibit B-3, to be executed and delivered by Holdings, as the same may be amended, supplemented or otherwise modified.

"Participant": as defined in subsection 10.6(b).

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, or any successor thereto.

"Permitted Liens": Liens permitted to exist under subsection 7.3.

"Permitted Stock Payments": (A) dividends by the Borrower to Holdings in amounts equal to the amounts required for Holdings to pay franchise taxes and other fees required to maintain its legal existence and provide for other operating costs of up to $1,000,000 per fiscal year, (B) dividends by the Borrower to Holdings in amounts equal to amounts required for Holdings to pay federal, state and local income

taxes to the extent such income taxes are actually due and owing; provided that the aggregate amount paid under this clause (B) does not exceed the amount that the Borrower would be required to pay in respect of the income of the Borrower and its Subsidiaries if the Borrower were a stand alone entity that was not owned by Holdings, and (C) from and after May 1, 1999, dividends by the Borrower to Holdings payable solely out of Excess Cash Flow which is not required to be applied to the prepayment of Loans and the permanent reduction of Commitments pursuant to subsection 2.6(a)(iii), provided that (i) as of the last day of the most recently completed fiscal quarter the Debt Ratio is less than or equal to 3.5 to 1, (ii) the aggregate amount of dividends paid by the Borrower to Holdings under this clause (C) since the date of this Agreement does not exceed $5,000,000 and (iii) Holdings promptly uses the proceeds of such dividends to repurchase Capital Stock of Holdings.

"Person": an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan covered by ERISA and in respect of which the Borrower or any Commonly Controlled Entity maintains, administers, contributes to or is required to contribute to, or under which the Borrower or any Commonly Controlled Entity may incur any liability.

"Principals": each of Lehman Brothers Holdings, Inc., Capital Partners, the Seller, Frank C. Lanza and Robert V. LaPenta.

"Pro Forma Financial Statements": as defined in subsection 4.1(c).

"Properties": as defined in subsection 4.17.

"Purchase Agreement": the Purchase Agreement, dated as of April 25, 1997, among the Borrower and each of Lehman Brothers, Inc. and BancAmerica Securities, Inc.

"Receivables": as defined in the Security Documents.

"Reference Bank": the Bank of America NT & SA.

"Register": as defined in subsection 10.6(d).

"Registration Rights Agreement": the Registration Rights Agreement, dated as of April 30, 1997, among the Borrower and each of Lehman Brothers, Inc. and BancAmerica Securities, Inc.

"Regulation U": Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

"Reimbursement Obligation": the obligation of the Borrower to reimburse the Issuing Lender pursuant to subsection 3.5 for amounts drawn under Letters of Credit.

"Refunded Swing Line Loan": as defined in subsection 2.1(b)(iii).

"Related Party": with respect to the Principals, (a) any controlling stockholder, 51% (or more) owned Subsidiary, or spouse or

immediate family member (in the case of an individual) of such Principal or (b) a trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Persons beneficially holding an 51% or more controlling interest of which consist of the Principals and/or such other Persons referred to in the immediately preceding clause (a).

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty-day notice period is waived under the regulations of the PBGC.

"Required Lenders": at any time, Lenders the Commitment Percentages for all Types of Loans of which aggregate more than 50%.

"Requirement of Law": as to any Person, the Constitutional Documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Requisite Class Lenders": at any time, (a) for the Class Lenders having Tranche A Term Loan Exposure, Lenders having or holding 66 2/3% of the aggregate Tranche A Term Loan Exposure of all Lenders, (b) for the Class Lenders having Revolving Credit Loan Exposure, Lenders having or holding 66 2/3% of the aggregate Revolving Credit Loan Exposure of all Lenders, (c) for the Class Lenders having Tranche B Term Loan Exposure, Lenders having or holding 66 2/3% of the aggregate Tranche B Term Loan Exposure of all Lenders and (d) for the Class Lenders having Tranche C Term Loan Exposure, Lenders having or holding 66 2/3% of the aggregate Tranche C Term Loan Exposure of all Lenders.

"Responsible Officer": the chief executive officer, the president or vice president of the Borrower or, with respect to financial matters, the chief financial officer, vice president--finance or treasurer of the Borrower.

"Restricted Government Contracts": as defined in the Security Documents.

"Revolving Credit Commitment": the commitment of a Lender, as set forth on Schedule I hereto, to make Revolving Credit Loans to the Borrower pursuant to Subsection 2.1(a)(iv) and, to issue and/or purchase participations in Letters of Credit pursuant to Section 3; and "Revolving Credit Commitments" means such commitments of all Lenders in the aggregate, which shall initially be $100,000,000.

"Revolving Credit Lender": any Lender or Lenders having a Revolving Credit Commitment or a Revolving Credit Loan outstanding.

"Revolving Credit Loans": the Loans made by Revolving Credit Lenders to the Borrower pursuant to Subsection 2.1(a)(iv).

"Revolving Credit Loan Exposure": with respect to any Lender as of date of determination, (i) if there are no outstanding Letters of Credit or Revolving Credit Loans, that Lender's Revolving Credit Commitment, and (ii) otherwise, the sum of (a) the aggregate outstanding principal amount of the Revolving Credit Loans of that Lender plus (b) in the event that Lender is an Issuing Lender, the aggregate Letter of Credit Usage in respect of all Letters of Credit issued by that Lender (in each case net of any participations purchased by other Lenders in such Letters of Credit or any unreimbursed drawings thereunder) plus (c) in the event that such Lender is the Swing Line Lender, the aggregate principal amount of Swing Line Loans made by such Lender then outstanding (net of any participations purchased by other Lenders in such Swing Line Loans) plus (d) the aggregate amount of all participations purchased by that Lender in any outstanding Swing Line Loans or Letters of Credit or any unreimbursed drawings under any Letters of Credit.

"Revolving Credit Notes": (i) the promissory notes of the Borrower issued pursuant to subsection 2.5(i)(iv) on the Closing Date to evidence the Revolving Credit Loans of any Lender and (ii) any promissory notes issued by the Borrower pursuant to Section 10.6(d) in connection with assignments of the Revolving Credit Commitments and Revolving Credit Loans of any Lenders, in each case substantially in the form of Exhibit A-4 annexed hereto, as they may be amended, supplemented or otherwise modified from time to time.

"Revolving Loan Termination Date": March 31, 2003.

"Security Documents": the collective reference to the Parent Pledge and Security Agreement, the Borrower Pledge and Security Agreement and the Subsidiary Pledge and Security Agreement, the Mortgages and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any asset or assets of any Person to secure the obligations and liabilities of the Borrower hereunder and under any of the other Credit Documents or to secure any guarantee of any such obligations and liabilities.

"Securities Offering": as defined in the recitals to this Agreement.

"Seller": as defined in the recitals to this Agreement.

"Similar Business": a business, at least a majority of whose revenues in the most recently ended calendar year were derived from (i) the sale of defense products, electronics, communications systems, aerospace products, avionics products and/or communications products, (ii) any services related thereto, (iii) any business or activity that is reasonably similar thereto or a reasonable extension, development or expansion thereof or ancillary thereto, and (iv) any combination of any of the foregoing.

"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Stockholders Agreement": the Stockholders Agreement, dated as of April 30, 1997, by and among the Borrower, Holdings, the Seller, the Principals and any other party that may from time to time become a party

thereto as provided therein, as the same may be amended, supplemented or otherwise modified from time to time.

"Subordinated Debt": indebtedness outstanding under the Subordinated Notes.

"Subordinated Debt Documents": the Indenture, the Registration Rights Agreement, the Purchase Agreement and the Subordinated Notes.

"Subordinated Notes": the Borrower's 10 3/8% Senior Subordinated Notes, due 2007 (the "Initial Subordinated Notes"), issued on the Closing Date, and the subordinated notes of the Borrower, having the same terms as the Initial Subordinated Notes, issued in exchange for the Initial Subordinated Notes as contemplated by the Subordinated Debt Documents.

"Subscription Agreements": the Common Stock Subscription Agreements between Holdings and each of Frank C. Lanza, Robert V. LaPenta, Capital Partners and the Seller, each dated as of the Closing Date.

"Subsidiary": as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, directly or indirectly, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guarantees": the Subsidiary Guarantees substantially in the form of Exhibit B-2, to be executed and delivered by the Borrower's Subsidiaries, as the same may be amended, supplemented or otherwise modified.

"Subsidiary Pledge and Security Agreement": the Subsidiary Pledge and Security Agreement substantially in the form of Exhibit B-5, to be executed and delivered by the Borrower's Subsidiaries, as the same may be amended, supplemented or otherwise modified.

"Swing Line Lender": means Bank of America NT & SA.

"Swing Line Loans": as defined in Section 2.1(b).

"Term Loan Commitment or Term Loan Commitments": the commitments of a Lender to make any Term Loans pursuant to subsection 2.1(a); and Term Loan Commitments means such commitments of all Lenders in the aggregate, which shall initially be $175,000,000.

"Term Loan Exposure": with respect to a Lender of a Type of Term Loan as of any date of determination, (i) prior to the termination of all of a Lender's Commitment with respect to the Term Loans of such Type, that Lender's Commitment with respect to Term Loans of such Type (or any portion thereof that has not been terminated) plus the outstanding principal amount of the Term Loan of such Type of that Lender, and (ii) after the termination of all of a Lender's Commitment

with respect to the Term Loans of such Type, the outstanding principal amount of the Term Loan of such Type of that Lender.

"Term Loans": one or more of the Tranche A Term Loans, the Tranche B Term Loans or the Tranche C Term Loans.

"Termination Date": (i) with respect to Tranche A Term Loans, March 31, 2003; (ii) with respect to Tranche B Term Loans, March 31, 2005; (iii) with respect to Tranche C Term Loans, March 31, 2006; and (iv) with respect to Revolving Credit Loans and Swing Line Loans, the Revolving Credit Termination Date.

"Tranche": the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day); Tranches may be identified as "Eurodollar Tranches".

"Tranche A Term Lender": any Lender having a Tranche A Term Loan Commitment or a Tranche A Term Loan outstanding.

"Tranche A Term Loans": the Loans made by Tranche A Term Lenders to the Borrower pursuant to subsection 2.1(a)(i).

"Tranche A Term Loan Commitment": the commitment of a Tranche A Term Lender, as set forth on Schedule I hereto, to make a Tranche A Term Loan to the Borrower pursuant to subsection 2.1(a)(i); and "Tranche A Term Loan Commitments" means such commitments of all Tranche A Term Lenders in the aggregate, which shall initially be $100,000,000.

"Tranche A Term Notes": (i) the promissory notes of the Borrower issued pursuant to subsection 2.5(i)(i) on the Closing Date to evidence the Tranche A Term Loans of any Lender and (ii) any promissory notes issued by the Borrower pursuant to subsection 10.6(d) in connection with assignments of the Tranche A Term Loan Commitments and Tranche A Term Loans of any Lender, in each case substantially in the form of Exhibit A-1 annexed hereto, as they may be amended, supplemented or otherwise modified from time to time.

"Tranche B Term Lenders": any Lender having a Tranche B Term Loan Commitment or a Tranche B Term Loan outstanding.

"Tranche B Term Loans": the Loans made by Tranche B Term Lenders to the Borrower pursuant to subsection 2.1(a)(ii).

"Tranche B Term Loan Commitment": the commitment of a Tranche B Term Lender to make a Tranche B Term Loan to the Borrower pursuant to subsection 2.1(a)(ii); and "Tranche B Term Loan Commitments" means such commitments of all Tranche B Term Lenders in the aggregate, which shall initially be $45,000,000.

"Tranche B Term Notes": (i) the promissory notes of the Borrower issued pursuant to subsection 2.5(i)(ii) on the Closing Date to evidence the Tranche B Term Loans of any Lender and (ii) any promissory notes issued by the Borrower pursuant to subsection 10.6(d) in connection with assignments of the Tranche B Term Loan Commitments and Tranche B Term Loans of any Lender, in each case substantially in the form of

Exhibit A-2 annexed hereto, as they may be amended, supplemented or otherwise modified from time to time.

"Tranche C Term Lender": any Lender having a Tranche C Term Loan Commitment or a Tranche C Term Loan outstanding.

"Tranche C Term Loan Commitment": the commitment of a Tranche C Term Lender, as set forth on Schedule I hereto, to make a Tranche C Term Loan to the Borrower pursuant to subsection 2.1(a)(iii); and "Tranche C Term Loan Commitments" means such commitments of all Tranche C Term Lenders in the aggregate, which shall initially be $30,000,000.

"Tranche C Term Loans": the Loans made by Tranche C Term Lenders to the Borrower pursuant to subsection 2.1(a)(iii).

"Tranche C Term Notes": (i) the promissory notes of the Borrower issued pursuant to subsection 2.5(i)(iii) on the Closing Date to evidence the Tranche C Term Loans of any Lender and (ii) any promissory notes issued by the Borrower pursuant to subsection 10.6(d) in connection with assignments of the Tranche C Term Loan Commitments and Tranche C Term Loans of any Lender, in each case substantially in the form of Exhibit A-3 annexed hereto, as they may be amended, supplemented or otherwise modified from time to time.

"Transaction": the transactions contemplated by the Transaction Documents.

"Transaction Agreement": as defined in the recitals to this Agreement.

"Transaction Documents": (i) the Transaction Agreement, the Schedules thereto and the documents set forth on Schedule IV hereto, (ii) the Equity Documents and (iii) the Subordinated Debt Documents.

"Transferee": as defined in subsection 10.6(f).

"Type": a Revolving Loan, a Tranche A Term Loan, a Tranche B Term Loan, a Tranche C Term Loan or a Swing Line Loan.

"Uniform Customs": the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, as the same may be amended from time to time.

"U.S. Taxes": any tax, assessment, or other charge or levy and any liabilities with respect thereto, including any penalties, additions to tax, fines or interest thereon, imposed by or on behalf of the United States or any taxing authority thereof.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in any Credit Document or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in any Credit Document, and any certificate or other document made or delivered pursuant hereto, accounting terms relating to the Borrower and its Subsidiaries not defined in subsection 1.1

and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF COMMITMENTS AND LOANS

2.1 Commitments. (a) Subject to the terms and conditions hereof, each Lender severally agrees to make the loans described in this Section 2.1(a) as applicable to the Borrower.

(i) Tranche A Term Loans. Each Tranche A Term Lender severally agrees to make a term loan to the Borrower on the Closing Date in an aggregate principal amount which does not exceed the amount of such Lender's Tranche A Term Loan Commitment. Amounts borrowed under this subsection 2.1(a)(i) and subsequently repaid may not be reborrowed.

(ii) Tranche B Term Loans. Each Tranche B Term Lender severally agrees to make a term loan to the Borrower on the Closing Date in an aggregate principal amount which does not exceed the amount of such Lender's Tranche B Term Loan Commitment. Amounts borrowed under this subsection 2.1(a)(ii) and subsequently repaid may not be reborrowed.

(iii) Tranche C Term Loans. Each Tranche C Term Lender severally agrees to make a term loan to the Borrower on the Closing Date in an aggregate principal amount which does not exceed the amount of such Lender's Tranche C Term Loan Commitment. Amounts borrowed under this subsection 2.1(a)(iii) and subsequently repaid may not be reborrowed.

(iv) Revolving Credit Loans. Each Revolving Credit Lender severally agrees to make revolving credit loans to the Borrower, from time to time during the Commitment Period, in an aggregate principal amount at any one time outstanding which, when added to the aggregate principal amount of outstanding Swing Line Loans made by such Lender (or in which such Lender has purchased a participation) and such Lender's Revolving Credit Commitment Percentage of the then outstanding L/C Obligations, does not exceed the amount of such Lender's Revolving Credit Commitment. During the Commitment Period, the Borrower may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans, in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(b) (i) Subject to the terms and conditions hereof, the Swing Line Lender agrees to make swing line loans (individually, a "Swing Line Loan"; collectively, the "Swing Line Loans") to the Borrower from time to

time during the Commitment Period in an aggregate principal amount at any one time outstanding not to exceed $10,000,000; provided, that no Swing Line Loan shall be made if, after giving effect thereto and to the simultaneous use of the proceeds thereof, the aggregate principal amount of Revolving Credit Loans then outstanding plus the aggregate principal amount of Swing Line Loans then outstanding, plus the aggregate amount of L/C Obligations then outstanding would exceed the Revolving Credit Commitments of the Revolving Credit Lenders. Amounts borrowed by the Borrower under this subsection 2.1(b) may be repaid and, through but excluding the Termination Date, reborrowed. All Swing Line Loans shall be made as Base Rate Loans and may not be converted into Eurodollar Loans. In order to borrow a Swing Line Loan, the Borrower shall give the Swing Line Lender, with a copy to the Administrative Agent, irrevocable notice (which notice must be received by the Swing Line Lender prior to 12:00 Noon, New York City time) on the requested Borrowing Date specifying the amount of the requested Swing Line Loan which shall be in a minimum amount of $500,000 or whole multiples of $100,000 in excess thereof. The proceeds of the Swing Line Loan will be made available by the Swing Line Lender to the Borrower at the office of the Swing Line Lender by crediting the account of the Borrower at such office with such proceeds.

(ii) The Swing Line Loans shall be evidenced by a promissory note of the Borrower, substantially in the form of Exhibit A-5 (the "Swing Line Note"), with appropriate insertions, payable to the order of the Swing Line Lender and representing the obligation of the Borrower to pay the unpaid principal amount of the Swing Line Loans, with interest thereon as prescribed in subsection 2.9. The Swing Line Note shall (i) be dated the Closing Date, (ii) be stated to mature on the Termination Date and (iii) bear interest, payable on the dates specified in 2.9, for the period from the date thereof to the Termination Date on the unpaid principal amount thereof from time to time outstanding at the applicable interest rate per annum specified in subsection 2.9.

(iii) The Swing Line Lender, at any time in its sole and absolute discretion, may on behalf of the Borrower (which hereby irrevocably directs the Swing Line Lender to act on its behalf) request each Lender, including the Swing Line Lender, to make a Revolving Credit Loan (which shall be a Base Rate Loan) in an amount equal to such Lender's Commitment Percentage with respect to Revolving Credit Loans of such Revolving Credit Loan (the "Refunded Swing Line Loans") outstanding on the date such notice is given. Unless any of the events described in subsection 8(f) shall have occurred (in which event the procedures of subsection 2.1(b)(iv) shall apply) each Lender shall, not later than 12:00 P.M., New York City time, on the Business Day next succeeding the date on which such notice is given, make available to the Swing Line Lender in immediately available funds the amount equal to the Revolving Credit Loan to be made by such Lender. The proceeds of such Revolving Credit Loans shall be immediately applied to repay the Refunded Swing Line Loans. Upon any request by the Swing Line Lender to the Lender pursuant to this subsection 2.1(b)(iii), the Administrative Agent shall promptly give notice to the Borrower of such request.

(iv) If prior to the making of a Revolving Credit Loan pursuant to subsection 2.1(b)(iii) one of the events described in subsection 8(f) shall have occurred, each Lender will, on the date such Loan was to have been made, purchase an undivided participating interest in the Swing Line Loans in an amount equal to its Commitment Percentage with respect to

Revolving Credit Loans. Each Lender will immediately transfer to the Swing Line Lender, in immediately available funds, the amount of its participation.

(v) Whenever, at any time after the Swing Line Lender has received from any Lender such Lender's participating interest in a Swing Line Loan, the Swing Line Lender receives any payment on account thereof, the Swing Line Lender will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded); provided, however, that in the event that such payment received by the Swing Line Lender is required to be returned, such Lender will return to the Swing Line Lender any portion thereof previously distributed by the Swing Line Lender to it.

(vi) Each Lender's obligation to purchase participating interests pursuant to subsection 2.1(b)(iv) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (a) any set-off, counterclaim, recoupment, defense or other right which such Lender or the Borrower may have against the Swing Line Lender, any other Lender or anyone else for any reason whatsoever, (b) the occurrence or continuance of any Default or Event of Default; (c) any adverse change in the condition (financial or otherwise) of the Borrower; (d) any breach of this Agreement by the Borrower or any other Lender; or (e) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(c) Except for Swing Line Loans, which shall be Base Rate Loans, the Loans may from time to time be (i) Eurodollar Loans, (ii) Base Rate Loans or (iii) a combination thereof, as determined by the Borrower and notified to the Administrative Agent in accordance with subsections 2.2 and 2.7, provided that no Revolving Credit Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Termination Date with respect to such Loan.

2.2 Procedure for Borrowing. The Borrower may borrow under the Commitments during the Commitment Period on any Business Day, provided that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to (a) 11:00 A.M., New York City time, three Business Days prior to the requested Borrowing Date, if all or any part of the requested Loans are to be initially Eurodollar Loans, (b) 11:00 A.M., New York City time, on the requested Borrowing Date in the case of a Swing Line Loan or a Base Rate Loan), specifying (i) the amount to be borrowed of each Type of Loan, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, Base Rate Loans or a combination thereof and (iv) if the borrowing is to be entirely or partly of Eurodollar Loans, the respective lengths of the initial Interest Periods therefor. Each borrowing under the Commitments shall be in an amount equal to (x) in the case of Base Rate Loans (other than Swing Line Loans), $2,000,000 or a whole multiple of $500,000 in excess thereof (or, if the then Available Commitments are less than $2,000,000, such lesser amount), (y) in the case of Swing Line Loans, as provided in subsection 2.1(b)(i) and (z) in the case of Eurodollar Loans, $5,000,000 or a whole multiple of $1,000,000 in excess thereof. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the office of the Administrative Agent specified in subsection

10.2 prior to 11:00 A.M., New York City time (in the case of Eurodollar Loans) or 2:30 P.M., New York City time (in the case of Base Rate Loans), on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent. All notices given by the Borrower under this subsection 2.2 may be made by telephonic notice promptly confirmed in writing.

2.3 Commitment Fee. The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Credit Lender a commitment fee for the period from and including the first day of the Commitment Period to and including the Revolving Loan Termination Date, computed at the Commitment Fee Rate on the average daily amount of the Available Commitment of such Revolving Credit Lender during the period for which payment is made, payable quarterly in arrears on the last Business Day of each March, June, September and December and on the Revolving Loan Termination Date, commencing on the first of such dates to occur after the date hereof.

2.4 Termination or Reduction of Revolving Credit Commitments. The Borrower shall have the right, upon not less than three Business Days' written notice to the Administrative Agent, to terminate the Revolving Credit Commitments or, from time to time, to reduce the amount of the Revolving Credit Commitments ratably among the Revolving Credit Lenders; provided that no such termination or reduction shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Credit Loans made on the effective date thereof, the aggregate principal amount of the Revolving Credit Loans then outstanding, when added to the then outstanding L/C Obligations and the outstanding Swing Line Loans, would exceed the Revolving Credit Commitments then in effect. Any such reduction shall be in an amount equal to $2,000,000 or a whole multiple of $500,000 in excess thereof and shall reduce permanently the Revolving Credit Commitments then in effect.

2.5 Repayment of Loans; Evidence of Debt.

(a) Scheduled Payments of Tranche A Term Loans. The Borrower shall make principal payments on the Tranche A Term Loans on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 1997, in the amounts set forth opposite the corresponding Payment Period as follows:

Payment Period	Scheduled Repayment of Tranche A Term Loans
Closing Date - 6/30/97	$ 800,000
7/1/97 - 9/30/97	800,000
10/1/97 - 12/31/97	800,000
1/1/98 - 3/31/98	800,000
4/1/98 - 6/30/98	800,000
7/1/98 - 9/30/98	1,250,000
10/1/98 - 12/31/98	1,250,000
1/1/99 - 3/31/99	1,250,000
4/1/99 - 6/30/99	1,250,000

7/1/99 - 9/30/99	3,750,000
10/1/99 - 12/31/99	3,750,000
1/1/00 - 3/31/00	3,750,000
4/1/00 - 6/30/00	3,750,000
7/1/00 - 9/30/00	5,250,000
10/1/00 - 12/31/00	5,250,000
1/1/01 - 3/31/01	5,250,000
4/1/01 - 6/30/01	5,250,000
7/1/01 - 9/30/01	6,750,000
10/1/01 - 12/31/01	6,750,000
1/1/02 - 3/31/02	6,750,000
4/1/02 - 6/30/02	6,750,000
7/1/02 - 9/30/02	9,333,333.33
10/1/02 - 12/31/02	9,333,333.33
1/1/03 - 3/31/03	9,333,333.34
	$ 100,000,000;

provided that the scheduled installments of principal of the Tranche A Term Loans set forth above shall be reduced in connection with any voluntary or mandatory prepayments of the Term Loans in accordance with subsection 2.6 (as provided in such subsection); and provided further that the Tranche A Term Loans and all other amounts owed hereunder with respect to the Tranche A Term Loans shall be paid in full no later than March 31, 2003, and the final installment payable by the Borrower in respect of the Tranche A Term Loans on such date shall be in an amount, if such amount is different from that specified above, sufficient to repay all amounts owing by the Borrower under this Agreement with respect to the Tranche A Term Loans.

(b) Scheduled Payments of Tranche B Term Loans. The Borrower shall make principal payments on the Tranche B Term Loans on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 1997, in the amounts set forth opposite the corresponding Payment Period as follows:

Payment Period	Scheduled Repayment of Tranche B Term Loans
Closing Date - 6/30/97	$ 100,000
7/1/97 - 9/30/97	100,000
10/1/97 - 12/31/97	100,000
1/1/98 - 3/31/98	100,000
4/1/98 - 6/30/98	100,000
7/1/98 - 9/30/98	125,000
10/1/98 - 12/31/98	125,000
1/1/99 - 3/31/99	125,000
4/1/99 - 6/30/99	125,000
7/1/99 - 9/30/99	125,000
10/1/99 - 12/31/99	125,000

1/1/00 - 3/31/00	125,000
4/1/00 - 6/30/00	125,000
7/1/00 - 9/30/00	125,000
10/1/00 - 12/31/00	125,000
1/1/01 - 3/31/01	125,000
4/1/01 - 6/30/01	125,000
7/1/01 - 9/30/01	125,000
10/1/01 - 12/31/01	125,000
1/1/02 - 3/31/02	125,000
4/1/02 - 6/30/02	125,000
7/1/02 - 9/30/02	125,000
10/1/02 - 12/31/02	125,000
1/1/03 - 3/31/03	125,000
4/1/03 - 6/30/03	125,000
7/1/03 - 9/30/03	5,000,000
10/1/03 - 12/31/03	5,000,000
1/1/04 - 3/31/04	5,000,000
4/1/04 - 6/30/04	5,000,000
7/1/04 - 9/30/04	7,333,333.33
10/1/04 - 12/31/04	7,333,333.33
1/1/05 - 3/31/05	7,333,333.33
	$ 45,000,000;

provided that the scheduled installments of principal of the Tranche B Term Loans set forth above shall be reduced in connection with any voluntary or mandatory prepayments of the Term Loans in accordance with subsection 2.6 (as provided in such subsection); and provided further that the Tranche B Term Loans and all other amounts owed hereunder with respect to the Tranche B Term Loans shall be paid in full no later than March 31, 2005, and the final installment payable by the Borrower in respect of the Tranche B Term Loans on such date shall be in an amount, if such amount is different from that specified above, sufficient to repay all amounts owing by the Borrower under this Agreement with respect to the Tranche B Term Loans.

(c) Scheduled Payments of Tranche C Term Loans. The Borrower shall make principal payments on the Tranche C Term Loans on March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 1997, in the amounts set forth opposite the corresponding Payment Period as follows:

Payment Period	Scheduled Repayment of Tranche C Term Loans
Closing Date - 6/30/97	$ 100,000
7/1/97 - 9/30/97	100,000
10/1/97 - 12/31/97	100,000
1/1/98 - 3/31/98	100,000
4/1/98 - 6/30/98	100,000

7/1/98 - 9/30/98	125,000
10/1/98 - 12/31/98	125,000
1/1/99 - 3/31/99	125,000
4/1/99 - 6/30/99	125,000
7/1/99 - 9/30/99	125,000
10/1/99 - 12/31/99	125,000
1/1/00 - 3/31/00	125,000
4/1/00 - 6/30/00	125,000
7/1/00 - 9/30/00	125,000
10/1/00 - 12/31/00	125,000
1/1/01 - 3/31/01	125,000
4/1/01 - 6/30/01	125,000
7/1/01 - 9/30/01	125,000
10/1/01 - 12/31/01	125,000
1/1/02 - 3/31/02	125,000
4/1/02 - 6/30/02	125,000
7/1/02 - 9/30/02	125,000
10/1/02 - 12/31/02	125,000
1/1/03 - 3/31/03	125,000
4/1/03 - 6/30/03	125,000
7/1/03 - 9/30/03	125,000
10/1/03 - 12/31/03	125,000
1/1/04 - 3/31/04	125,000
4/1/04 - 6/30/04	125,000
7/1/04 - 9/30/04	125,000
10/1/04 - 12/31/04	125,000
1/1/05 - 3/31/05	125,000
4/1/05 - 6/30/05	125,000
7/1/05 - 9/30/05	8,666,666.66
10/1/05 - 12/31/05	8,666,666.67
1/1/06 - 3/31/06	8,666,666.67
	$ 30,000,000;

provided that the scheduled installments of principal of the Tranche C Term Loans set forth above shall be reduced in connection with any voluntary or mandatory prepayments of the Term Loans in accordance with subsection 2.6 (as provided in such subsection); and provided further that the Tranche C Term Loans and all other amounts owed hereunder with respect to the Tranche C Term Loans shall be paid in full no later than March 31, 2006, and the final installment payable by the Borrower in respect of the Tranche C Term Loans on such date shall be in an amount, if such amount is different from that specified above, sufficient to repay all amounts owing by the Borrower under this Agreement with respect to the Tranche C Term Loans.

(d) Payments on Revolving Credit and Swing Line Loans. The Borrower hereby unconditionally promises to pay to the Administrative Agent on the Revolving Credit Termination Date (or such earlier date on which the Loans become due and payable pursuant to Section 8) (i) for the account of each Revolving Credit Lender the then unpaid principal amount of each Revolving Credit Loan of such Lender and (ii) for the account of the Swing

Line Lender (and each other Revolving Credit Lender that has purchased a participation in then outstanding Swing Line Loans) the then unpaid principal amount of Swing Line Loans.

(e) Interest. The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date such Loans are made until payment in full thereof at the rates per annum, and on the dates, set forth in subsection 2.9.

(f) Recording. Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(g) Register. The Administrative Agent shall maintain the Register pursuant to subsection 10.6(d), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan and each Obligation evidenced by a Note made hereunder, the Type thereof, whether each such Loan is a Base Rate Loan or a Eurodollar Loan and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(h) Prima Facie Evidence. The entries made in the Register and the accounts of each Lender maintained pursuant to subsection 2.5(g) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to the Borrower by such Lender in accordance with the terms of this Agreement.

(i) Notes. The Borrower agrees that the Borrower will execute and deliver to each Lender a promissory note of the Borrower evidencing (i) the Tranche A Term Loans of such Lender, substantially in the form of Exhibit A-1 with appropriate insertions as to date and principal amount (a "Tranche A Term Note"), (ii) the Tranche B Term Loans of such Lender, substantially in the form of Exhibit A-2 with appropriate insertions as to date and principal amount (a "Tranche B Term Note"), (iii) the Tranche C Term Loans of such Lender substantially in the form of Exhibit A-3 with appropriate insertions as to date and principal amount (a "Tranche C Term Note") and (iv) the Revolving Credit Loans of such Lender, substantially in the form of Exhibit A-4 with appropriate insertions as to date and principal amount ("Revolving Credit Note"). A Note and the Obligation evidenced thereby may be assigned or otherwise transferred in whole or in part only by registration of such assignment or transfer of such Note and the Obligation evidenced thereby in the Register (and each Note shall expressly so provide). Any assignment or transfer of all or part of an Obligation evidenced by a Note shall be registered in the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Obligation, duly endorsed by (or accompanied by a written instrument of assignment or transfer duly executed by) the holder thereof, and thereupon one or more new Notes shall be issued to the designated Assignee and the old Note shall be returned by the Administrative Agent to the Borrower marked "cancelled." No

assignment of a Note and the Obligation evidenced thereby shall be effective unless it shall have been recorded in the Register by the Administrative Agent as provided in this subsection 2.5(i).

2.6 Optional Prepayments; Mandatory Prepayments and Reduction of Commitments. (a) Subject to subsection 2.16, the Borrower may at any time and from time to time prepay any Loans, in whole or in part, without premium or penalty, upon irrevocable notice to the Administrative Agent prior to 11:00 A.M., New York City time, three Business Days prior to the date of prepayment, specifying the date and amount of prepayment, the Type of Loan to be prepaid (which loans shall be prepaid on a pro rata basis among the applicable Lenders) and whether the prepayment is of Eurodollar Loans, Base Rate Loans or a combination thereof, and, if of a combination thereof, the amount allocable to each. Upon receipt of any such notice the Administrative Agent shall promptly notify each applicable Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with any amounts payable pursuant to subsection 2.16. Partial prepayments shall be in an aggregate principal amount of $2,000,000 or a whole multiple of $1,000,000 in excess thereof.

(b) (i) If, subsequent to the Closing Date, Holdings or any of its Subsidiaries shall incur or permit the incurrence of any Indebtedness (other than Indebtedness permitted pursuant to subsection 7.2) 100% of the Net Proceeds thereof shall be promptly applied toward the prepayment of the Loans and permanent reduction of the Commitments as set forth in clause (iv) of this subsection 2.6(b). Nothing in this paragraph (b) shall be deemed to permit any Indebtedness not permitted by subsection 7.2.

(ii) If, subsequent to the Closing Date, Holdings or any of its Subsidiaries shall receive Net Proceeds from any Asset Sale, such Net Proceeds shall be promptly applied toward the prepayment of the Loans and permanent reduction of the Commitments as set forth in clause (iv) of this subsection 2.6(b); provided that Net Proceeds from any Asset Sales shall not be required to be so applied to the extent that such Net Proceeds are used by the Borrower or such Subsidiary to acquire assets to be employed in the business of the Borrower or its Subsidiaries within 365 days of receipt thereof, but if such Net Proceeds are not so used, 100% of such Net Proceeds shall be applied toward the prepayment of the Loans and the permanent reduction of the Commitments as set forth in clause (iv) of this subsection 2.6(b) on the earlier of (x) the 366th day after receipt of such Net Proceeds and (y) the date on which the Borrower has determined that such Net Proceeds shall not be so used.

(iii) If there is Excess Cash Flow for any fiscal year and the Debt Ratio as of the last day of such fiscal year is greater than 3.5 to 1.0, 75% of such Excess Cash Flow shall be applied toward the prepayment of the Loans and the permanent reduction of the Commitments as set forth in clause (iv) of this subsection 2.6(b) on the Excess Cash Flow Payment Date for such fiscal year. If there is Excess Cash Flow for any fiscal year and the Debt Ratio as of the last day of such fiscal year is less than or equal to 3.5 to 1.0, 50% of such Excess Cash Flow shall be applied toward the prepayment of the Loans and the permanent reduction of the Commitments as set forth in clause (iv) of this subsection 2.6(b) on the Excess Cash Flow Payment Date for such fiscal year.

(iv) Any mandatory prepayments of the Loans pursuant to subsection 2.6 shall be applied (x) to the Tranche A Term Loans, the Tranche B Term Loans and the Tranche C Term Loans on a pro rata basis to reduce the unpaid scheduled installments of principal of each such Tranche of Term Loans on a pro rata basis, and (y) thereafter to the permanent reduction of the Revolving Credit Commitment; provided that, in the case of Tranche B Term Loans and Tranche C Term Loans, so long as any Tranche A Term Loans are outstanding, each of the Tranche B Term Lenders and the Tranche C Term Lenders shall have the right to waive such Lender's right to receive any portion of such prepayment. The Administrative Agent shall notify the Tranche B Term Lenders and the Tranche C Term Lenders of such receipt and the amount of the prepayment to be applied to each such Lender's Term Loans; provided, that the Borrower shall use its reasonable efforts to notify the Tranche B Term Lenders and the Tranche C Term Lenders of such waivable mandatory prepayment three (3) Business Days prior to the payment to the Administrative Agent of such waivable mandatory prepayment (it being understood that the Borrower shall have no liabilities for failing to so notify such Lenders). In the event any such Tranche B Term Lender or Tranche C Term Lender desires to waive such Lender's right to receive any such waivable mandatory prepayment, such Lender shall so advise the Administrative Agent no later than the close of business on the Business Day immediately following the date of such notice from the Administrative Agent. In the event that any such Lender waives such Lender's right to any such waivable mandatory prepayment, the Administrative Agent shall apply 50% of the amount so waived by such Lender to prepay the Tranche A Term Loans to reduce unpaid scheduled installments of principal of the Tranche A Term Loans on a pro rata basis. The Administrative Agent shall return the remainder of the amount so waived by such Lender to the Borrower. Revolving Credit Commitment reductions made pursuant to subsections 2.6(b)(i), (ii) and (iii) shall be applied to each Lender's Revolving Credit Commitment on a pro rata basis and shall reduce permanently such Commitments.

(v) If after giving effect to any reduction of the Revolving Credit Commitments under subsection 2.4, 2.5 or 2.6 the aggregate outstanding principal amount of Swing Line Loans plus the aggregate outstanding principal amount of Revolving Credit Loans plus the aggregate outstanding amount of L/C Obligations shall exceed the aggregate amount of the Revolving Credit Commitments, such reduction shall be accompanied by prepayment in the amount of such excess to be applied (x) first, to the outstanding Swing Line Loans and (y) second, to outstanding Revolving Credit Loans (in each case, together with any amounts payable under subsection 2.16)); provided that if the aggregate principal amount of Swing Line Loans and Revolving Credit Loans then outstanding is less than the amount of such excess (because Letters of Credit constitute a portion of such excess), the Borrower shall immediately, without notice or demand, to the extent of the balance of such excess, replace outstanding Letters of Credit and/or deposit an amount (but in no event greater than such balance) in a cash collateral account satisfactory to the Administrative Agent established for the benefit of the Revolving Credit Lenders.

2.7 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans to Base Rate Loans, by giving the Administrative Agent prior irrevocable notice of such election on or before 11:00 A.M. New York City time, on the Business Day immediately preceding the date of the proposed conversion and of the amount and Type of Loan to be converted, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto.

The Borrower may elect from time to time to convert Base Rate Loans (other than Swing Line Loans) to Eurodollar Loans by giving the Administrative Agent prior irrevocable notice of such election on or before 11:00 A.M., New York City time, on the third Business Day immediately preceding the date of the proposed conversion and of the amount and Type of Loan to be converted. Any such notice of conversion to Eurodollar Loans shall specify the length of the initial Interest Period or Interest Periods therefor. Upon receipt of any such notice the Administrative Agent shall promptly notify each applicable Lender thereof. All or any part of outstanding Eurodollar Loans and Base Rate Loans may be converted as provided herein, provided that (i) no Loan may be converted into a Eurodollar Loan when any Event of Default has occurred and is then continuing and (ii) no Loan may be converted into a Eurodollar Loan after the date that is one month prior to the Termination Date with respect to such Loan.

(b) Any Eurodollar Loans may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in subsection 1.1, of the length of the next Interest Period to be applicable to such Loans and of the amount and Type of Loan to be converted, provided that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is then continuing or (ii) after the date that is one month prior to the Termination Date with respect to such Loan and provided, further, that if the Borrower shall fail to give such notice or if such continuation is not permitted such Loans shall be automatically converted to Base Rate Loans on the last day of such then expiring Interest Period.

(c) All notices given by Borrower under this subsection 2.7 may be made by telephonic notice promptly confirmed in writing.

2.8 Minimum Amounts and Maximum Number of Tranches. All borrowings, conversions and continuations of Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of the Loans comprising each Eurodollar Tranche shall be equal to $5,000,000 or a whole multiple of $1,000,000 in excess thereof. In no event shall there be more than 10 Eurodollar Tranches outstanding at any time.

2.9 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each Base Rate Loan shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin.

(c) If all or a portion of (i) any principal of any Loan, (ii) any interest payable thereon, (iii) any commitment fee or (iv) any other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), the principal of the Loans and any such overdue interest, commitment fee or other amount shall bear interest at a rate per annum which is (x) in the case of principal, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection plus 2% or (y) in the case of any such overdue interest, commitment fee or other amount, the rate described in paragraph (b) of this

subsection plus 2%, in each case from the date of such non-payment until such overdue principal, interest, commitment fee or other amount is paid in full (as well after as before judgment).

(d) Interest shall be payable with respect to each Loan in arrears on each Interest Payment Date and on the Termination Date with respect to such Loan, provided that interest accruing pursuant to paragraph (c) of this subsection shall be payable from time to time on demand.

2.10 Computation of Interest and Fees. (a) Interest on Base Rate Loans and fees shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed; all other interest shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to subsection 2.9(a) or (c).

2.11 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the eurodollar market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Required Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (y) any Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be converted to or continued as Base Rate Loans and (z) any outstanding Eurodollar Loans shall be converted, on the first day of such Interest Period, to Base Rate Loans. Until such notice has been withdrawn in writing by the Administrative Agent (which the Administrative Agent agrees to do when the Administrative Agent has determined, or has been instructed by the Required Lenders that, the circumstances that prompted the

delivery of such notice no longer exist), no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Loans to Eurodollar Loans.

2.12 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Revolving Credit Lenders hereunder, each payment by the Borrower on account of any commitment fee hereunder and any reduction of the Revolving Credit Commitments of Revolving Credit Lenders shall be made pro rata according to the respective Commitment Percentages of the Revolving Credit Lenders. Each payment (including each prepayment) by the Borrower on account of principal of and interest on any Term Loans or the Revolving Credit Loans shall be made pro rata according to the respective outstanding principal amounts of such Loans then held by the Lenders. All payments (including prepayments) to be made by the Borrower hereunder in respect of any Loan, whether on account of principal, interest, Reimbursement Obligations, fees or otherwise, shall be made without set off or counterclaim and shall be made prior to 11:00 A.M., New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders with respect to such Loans, at the Administrative Agent's office specified in subsection 10.2, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the applicable Lenders promptly upon receipt in like funds as received. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its Commitment Percentage of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent on such Borrowing Date, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such Lender's Commitment Percentage of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days of such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to Base Rate Loans hereunder, on demand, from the Borrower. The failure of any Lender to make any Loan to be made by it shall not relieve any other Lender of its obligation hereunder to make its Loan on such Borrowing Date.

2.13 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert Base Rate Loans to Eurodollar Loans shall forthwith be cancelled and (b) such Lender's Loans then outstanding as

Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to subsection 2.16. If circumstances subsequently change so that any affected Lender shall determine that it is no longer so affected, such Lender will promptly notify the Borrower and the Administrative Agent, and upon receipt of such notice, the obligations of such Lender to make or continue Eurodollar Loans or to convert Base Rate Loans into Eurodollar Loans shall be reinstated.

2.14 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Note, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by subsection 2.15 and changes in the rate of net income taxes (including branch profits taxes and minimum taxes) or franchise taxes (imposed in lieu of net income taxes) of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in Letters of Credit or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender upon written demand such additional amount or amounts as will compensate such Lender for such increased cost or reduced amount receivable; provided that before making any such demand, each Lender agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be disadvantageous to it, in its reasonable discretion, in any legal, economic or regulatory manner) to designate a different Eurodollar lending office if the making of such designation would allow the Lender or its Eurodollar lending office to continue to perform its obligations to make Eurodollar Loans or to continue to fund or maintain Eurodollar Loans and avoid the need for, or reduce the amount of, such increased cost. If any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify the Borrower, through the Administrative Agent, of the event by reason of which it has become so entitled. If the Borrower so

notifies the Administrative Agent within five Business Days after any Lender notifies the Borrower of any increased cost pursuant to the foregoing provisions of this Section, the Borrower may convert all Eurodollar Loans of such Lender then outstanding into Base Rate Loans in accordance with the terms hereof. Each Lender shall notify the Borrower within 120 days after it becomes aware of the imposition of such costs; provided that if such Lender fails to so notify the Borrower within such 120-day period, such Lender shall not be entitled to claim any additional amounts pursuant to this subsection for any period ending on a date which is prior to 120 days before such notification.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a prompt written request therefor, the Borrower shall promptly pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction. Each Lender shall notify the Borrower within 120 days after it becomes aware of the imposition of such additional amount or amounts; provided that if such Lender fails to so notify the Borrower within such 120-day period, such Lender shall not be entitled to claim any additional amount or amounts pursuant to this subsection for any period ending on a date which is prior to 120 days before such notification.

(c) If any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled. A certificate as to any additional amounts payable pursuant to this subsection, showing the calculation thereof in reasonable detail, submitted by such Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. The agreements in this subsection shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.15 Taxes. (a) Except as provided in this subsection 2.15, all payments made by the Borrower under this Agreement and any Notes shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority ("Taxes"), excluding Taxes on net income (including, without limitation, branch profits taxes and minimum taxes) and franchise taxes (imposed in lieu of net income taxes) imposed on any Agent or any Lender as a result of a present or former connection between any Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from such Agent or such Lender having

executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any Note). If any such non-excluded taxes, levies, imposts, duties, charges, fees deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to any Agent or any Lender hereunder or under any Note, the amounts so payable to such Agent or such Lender shall be increased to the extent necessary to yield to such Agent or such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender that is not organized under the laws of the United States of America or a state thereof with respect to any Taxes that are imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement or that are attributable to such Lender's failure to comply with the requirements of paragraph (b) of this subsection. Whenever any Non-Excluded Taxes are payable by the Borrower, as promptly as possible thereafter, the Borrower shall send to the relevant Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt, if any, received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to the relevant Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Agents and the Lenders for any incremental taxes, interest or penalties that may become payable by any Agent or any Lender as a result of any such failure. The agreements in this subsection shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(b) Each Lender, Assignee and Participant that is not a citizen or resident of the United States of America, a corporation, partnership created or organized in or under the laws of the United States of America, any estate that is subject to U.S. federal income taxation regardless of the source of its income or any trust which is subject to the supervision of a court within the United States and the control of a United States fiduciary as described in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent, and if applicable, the assigning Lender (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) on or before the date on which it becomes a party to this Agreement (or, in the case of a Participant, on or before the date on which such Participant purchases the related participation) either:

(A) two duly completed and signed copies of either Internal Revenue Service Form 1001 (relating to such Non-U.S. Lender and entitling it to a complete exemption from withholding of U.S. Taxes on all amounts to be received by such Non-U.S. Lender pursuant to this Agreement and the other Credit Documents) or Form 4224 (relating to all amounts to be received by such Non-U.S. Lender pursuant to this Agreement and the other Credit Documents), or successor and related applicable forms, as the case may be; or

(B) in the case of a Non-U.S. Lender that is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code and that does not comply with the requirements of clause (A) hereof, (x) a statement in the form of Exhibit F (or such other form of statement as shall be reasonably requested by the Borrower from time to time) to the effect that such Non-U.S. Lender is eligible for a complete

exemption from withholding of U.S. Taxes under Code Section 871(h) or 881(c), and (y) two duly completed and signed copies of Internal Revenue Service Form W-8 or successor and related applicable form (it being understood and agreed that no Participant and, without the prior written consent of the Borrower described in clause (B) of the proviso to the first sentence of subsection 10.6(c), no Assignee shall be entitled to deliver any forms or statements pursuant to this clause (B), but rather shall be required to deliver forms pursuant to clause (A) of this subsection 2.15(b)).

Further, each Non-U.S. Lender agrees (i) to deliver to the Borrower and the Administrative Agent, and if applicable, the assigning Lender (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two further duly completed and signed copies of such Forms 1001 or 4224, as the case may be, or successor and related applicable forms, on or before the date that any such form expires or becomes obsolete and promptly after the occurrence of any event requiring a change from the most recent form(s) previously delivered by it to the Borrower (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) in accordance with applicable U.S. laws and regulations and (ii) in the case of a Non-U.S. Lender that delivers a statement in the form of Exhibit F (or such other form of statement as shall have been requested by the Borrower), to deliver to the Borrower and the Administrative Agent, and if applicable, the assigning Lender, such statement on an annual basis on the anniversary of the date on which such Non-U.S. Lender became a party to this Agreement and to deliver promptly to the Borrower and the Administrative Agent, and if applicable, the assigning Lender, such additional statements and forms as shall be reasonably requested by the Borrower from time to time unless, in any such case, any change in law or regulation has occurred subsequent to the date such Lender became a party to this Agreement (or in the case of a Participant, the date on which such Participant purchased the related participation) which renders all such forms inapplicable or which would prevent such Lender (or Participant) from properly completing and executing any such form with respect to it and such Lender promptly notifies the Borrower and the Administrative Agent (or, in the case of a Participant, the Lender from which the related participation shall have been purchased) if it is no longer able to deliver, or if it is required to withdraw or cancel, any form or statement previously delivered by it pursuant to this subsection 2.15(b). Each Non-U.S. Lender agrees to indemnify and hold harmless the Borrower from and against any taxes, penalties, interest or other costs or losses (including, without limitation, reasonable attorneys' fees and expenses) incurred or payable by the Borrower as a result of the failure of the Borrower to comply with its obligations to deduct or withhold any U.S. Taxes from any payments made pursuant to this Agreement to such Non-U.S. Lender or the Administrative Agent which failure resulted from the Borrower's reliance on any form, statement, certificate or other information provided to it by such Non-U.S. Lender pursuant to clause (B) or clause (ii) of this subsection 2.15(b). The Borrower hereby agrees that for so long as a Non-U.S. Lender complies with this subsection 2.15(b), the Borrower shall not withhold any amounts from any payments made pursuant to this Agreement to such Non-U.S. Lender, unless the Borrower reasonably determines that it is required by law to withhold or deduct any amounts from any payments made to such Non-U.S. Lender pursuant to this Agreement. A Non-U.S. Lender shall not be required to deliver any form or statement pursuant to the immediately preceding sentences in this subsection 2.15(b) that such Non-U.S. Lender is not legally able to deliver (it being understood and agreed that the Borrower shall withhold or deduct such amounts from any

payments made to such Non-U.S. Lender that the Borrower reasonably determines are required by law and that payments resulting from a failure to comply with this paragraph (b) shall not be subject to payment or indemnity by the Borrower pursuant to subsection 2.15(a)). If any Credit Party other than the Borrower makes any payment to any Non-U.S. Lender under any Credit Document, the foregoing provisions of this subsection 2.15 shall apply to such Non-U.S. Lender and such Credit Party as if such Credit Party were the Borrower (but a Non-U.S. Lender shall not be required to provide any form or make any statement to any such Credit Party unless such Non-U.S. Lender has received a request to do so from such Credit Party and has a reasonable time to comply with such request).

(c) If a Lender shall become aware that it is entitled to receive a refund (whether by way of a direct payment or by offset) in respect of a Non-Excluded Tax paid by the Borrower, which refund, in the good faith judgment of such Lender, is allocable to such payment made pursuant to this Section, it shall promptly notify the Borrower of the availability of such refund and shall, within 30 days after the receipt of a request from the Borrower, apply for such refund at the Borrower's sole expense. If any Lender receives such refund (as described in the preceding sentence), it shall repay the amount of such refund (together with any interest received thereon) to the Borrower if all the payments due under this Section has been paid in full.

2.16 Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurodollar Loans on a day which is not the last day of an Interest Period with respect thereto (but excluding loss of margin). Such indemnification under this subsection 2.16 may include an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (but excluding loss of margin) over (ii) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. Each Lender claiming any payment pursuant to this subsection 2.16 shall do so by giving notice thereof to the Borrower and the Administrative Agent (showing calculation of the amount claimed in reasonable detail) within 60 Business Days after a failure to borrow, convert or continue Eurodollar Loans, or to prepay, after notice or after a prepayment of Eurodollar Loans on a day which is not the last day of an Interest Period therefor. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.17 Replacement of Lenders. If at any time (a) the Borrower becomes obligated to pay additional amounts described in subsections 2.13, 2.14 or 2.15 as a result of any condition described in such

subsections, or any Lender ceases to make Eurodollar Loans pursuant to subsection 2.13, (b) any Lender becomes insolvent and its assets become subject to a receiver, liquidator, trustee, custodian or other Person having similar powers or (c) any Lender becomes a "Nonconsenting Lender" (hereinafter defined), then the Borrower may, on ten Business Days' prior written notice to the Administrative Agent and such Lender, replace such Lender by causing such Lender to (and such Lender shall) assign pursuant to subsection 10.6 all of its rights and obligations under this Agreement to a Lender or other entity selected by the Borrower and acceptable to the Administrative Agent for a purchase price equal to the outstanding principal amount of such Lender's Loans and all accrued interest and fees and other amounts payable hereunder (including amounts payable under subsection 2.16 as though such Loans were being paid instead of being purchased); provided that (i) the Borrower shall have no right to replace the Administrative Agent, (ii) neither the Administrative Agent nor any Lender shall have any obligation to the Borrower to find a replacement Lender or other such entity, (iii) in the event of a replacement of a Nonconsenting Lender or a Lender to which the Borrower becomes obligated to pay additional amounts pursuant to this subsection 2.17, in order for the Borrower to be entitled to replace such a Lender, such replacement must take place no later than 180 days after (A) the date the Nonconsenting Lender shall have notified the Borrower and the Administrative Agent of its failure to agree to any requested consent, waiver or amendment or (B) the Lender shall have demanded payment of additional amounts under one of the subsections described in this subsection 2.17, as the case may be, and (iv) in no event shall the Lender hereby replaced be required to pay or surrender to such replacement Lender or other entity any of the fees received by such Lender hereby replaced pursuant to this Agreement. In the case of a replacement of a Lender to which the Borrower becomes obligated to pay additional amounts pursuant to this subsection 2.17, the Borrower shall pay such additional amounts to such Lender prior to such Lender being replaced and the payment of such additional amounts shall be a condition to the replacement of such Lender. In the event that (x) the Borrower or the Administrative Agent has requested the Lenders to consent to a departure or waiver of any provisions of the Credit Documents or to agree to any amendment thereto, (y) the consent, waiver or amendment in question requires the agreement of all Lenders in accordance with the terms of subsection 10.1 and (z) the Required Lenders have agreed to such consent, waiver or amendment, then any Lender who does not agree to such consent, waiver or amendment shall be deemed a "Nonconsenting Lender."

2.18 Certain Fees. The Company agrees to pay to the Administrative Agent, for its own account, a non-refundable administration fee in an amount previously agreed to with the Administrative Agent, payable in advance on the Closing Date and annually in advance on each anniversary thereof prior to the earlier of (x) the Final Maturity Date and (y) the payment in full of all Loans and all other amounts owing under this Agreement.

2.19 Certain Rules Relating to the Payment of Additional Amounts. (a) Upon the request, and at the expense, of the Borrower, each Lender to which the Borrower is required to pay any additional amount pursuant to Section 2.14 or 2.15 shall reasonably afford the Borrower the opportunity to contest, and reasonably cooperate with the Borrower in contesting, the imposition of any Non-Excluded taxes giving rise to such payment; provided that (i) such Lender shall not be required to afford the Borrower the opportunity to so contest unless the Borrower shall have confirmed in writing to such Lender its obligation to pay such amounts

pursuant to this Agreement and (ii) the Borrower shall reimburse such Lender for its reasonable attorneys' and accountants' fees and disbursements incurred in so cooperating with the Borrower in contesting the imposition of such Non-Excluded Taxes.

(b) Each Lender agrees that if it makes any demand for payment under subsection 2.14 or 2.15(a), or if any adoption or change of the type described in subsection 2.13 shall occur with respect to it, it will use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be disadvantageous to it, as determined in its reasonable discretion) to designate a different lending office if the making of such a designation would allow the Lender to continue to make and maintain Eurodollar Loans and would reduce or obviate the need for the Borrower to make payments under subsection 2.14 or 2.15(a), or would eliminate or reduce the effect of any adoption or change described in subsection 2.13.

SECTION 3. LETTERS OF CREDIT

3.1 L/C Commitment. (a) Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the Revolving Credit Lenders set forth in subsection 3.4(a), agrees to issue letters of credit ("Letters of Credit") for the account of the Borrower on any Business Day during the Commitment Period in such form as may be approved from time to time by the Issuing Lender; provided that the Issuing Lender shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the Available Commitment with respect to Revolving Credit Loans of all Revolving Credit Lenders less the aggregate principal amount of the Swing Line Loans then outstanding would be less than zero.

(b) Each Letter of Credit shall (i) be denominated in Dollars, (ii) be a standby letter of credit issued to support obligations of the Borrower or any of its Subsidiaries, contingent or otherwise and (iii) expire no later than the earlier of (x) the date that is 12 months after the date of its issuance and (y) the fifth Business Day prior to the Revolving Loan Termination Date; provided that any Letter of Credit with an expiration date occurring up to twelve months after such Letter of Credit's date of issuance may be automatically renewable for subsequent 12-month periods (but in no event later than the fifth Business Day prior to the Revolving Loan Termination Date).

(c) Each Letter of Credit shall be subject to the Uniform Customs and, to the extent not inconsistent therewith, the laws of the State of New York.

(d) The Issuing Lender shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law or any policies of the Issuing Lender.

3.2 Procedure for Issuance of Letters of Credit. The Borrower may from time to time request that the Issuing Lender issue a Letter of Credit at any time prior to the fifth Business Day prior to the Revolving Loan Termination Date by delivering to the Issuing Lender with a copy to the

Administrative Agent at its address for notices specified herein an Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may reasonably request. Upon receipt of any Application, the Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Lender and the Borrower. The Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower and the Administrative Agent (with copies for each Lender) promptly following the issuance thereof.

3.3 Fees, Commissions and Other Charges. (a) The Borrower shall pay to the Administrative Agent, for the account of the Issuing Lender and the L/C Participants, a letter of credit fee with respect to each Letter of Credit, computed for the period from and including the date of issuance of such Letter of Credit to the expiration date of such Letter of Credit at a rate per annum equal to the Applicable Margin then in effect for Eurodollar Loans, of the aggregate face amount of Letters of Credit outstanding, payable in arrears on each L/C Fee Payment Date and on the Revolving Loan Termination Date. Such fee shall be payable to the Administrative Agent to be shared ratably among the Revolving Credit Lenders in accordance with their respective Commitment Percentages with respect to Revolving Credit Loans. In addition, the Borrower shall pay to the Administrative Agent, for the sole account of the Issuing Lender, a fee equal to 0.1250% per annum of the aggregate face amount of outstanding Letters of Credit payable quarterly in arrears on each L/C Fee Payment Date and on the Revolving Loan Termination Date.

(b) In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

(c) The Administrative Agent shall, promptly following its receipt thereof, distribute to the Issuing Lender and the L/C Participants all fees and commissions received by the Administrative Agent for their respective accounts pursuant to this subsection.

3.4 L/C Participation. (a) The Issuing Lender irrevocably agrees to sell and hereby sells to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Commitment Percentage with respect to Revolving Credit Loans from time to time in effect in the Issuing Lender's obligations and rights under each Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not

reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's then Commitment Percentage with respect to Revolving Credit Loans of the amount of such draft, or any part thereof, which is not so reimbursed; provided that, if such demand is made prior to 11:00 A.M., New York City time, on a Business Day, such L/C Participant shall make such payment to the Issuing Lender prior to the end of such Business Day and otherwise such L/C Participant shall make such payment on the next succeeding Business Day.

(b) If any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to subsection 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit is paid to the Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal funds rate, as quoted by the Issuing Lender, during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to subsection 3.4(a) is not in fact made available to the Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, the Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Base Rate Loans hereunder. A certificate of the Issuing Lender submitted to any L/C Participant with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with subsection 3.4(a), the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Lender), or any payment of interest on account thereof, the Issuing Lender will, if such payment is received prior to 11:00 A.M., New York City time, on a Business Day, distribute to such L/C Participant its pro rata share thereof prior to the end of such Business Day and otherwise the Issuing Lender will distribute such payment on the next succeeding Business Day; provided, however, that in the event that any such payment received by the Issuing Lender and distributed to the L/C Participants shall be required to be returned by the Issuing Lender, each such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

3.5 Reimbursement Obligation of the Borrower. (a) The Borrower agrees to reimburse the Issuing Lender on the same Business Day on which the Issuing Lender notifies the Borrower of the date and amount of a draft presented under any Letter of Credit and paid by the Issuing Lender provided such notice is received by 1:00 P.M., New York City time, on such Business Day, and the next Business Day if such notice is received after such time. The Issuing Lender shall provide notice to the Borrower on each Business Day on which a draft is presented and paid by the Issuing Lender indicating the amount of (i) such draft so paid and (ii) any taxes, fees,

charges or other costs or expenses incurred by the Issuing Lender in connection with such payment. Each such payment shall be made to the Issuing Lender at its address for notices specified herein in lawful money of the United States of America and in immediately available funds.

(b) Interest shall be payable on any and all amounts remaining unpaid by the Borrower under this subsection from the date a draft presented under any Letter of Credit is paid by the Issuing Lender until payment in full (i) at the rate which would be payable on any Loans that are Base Rate Loans at such time until such payment is required to be made pursuant to subsection 3.5(a), and (ii) thereafter, at the rate which would be payable on any Loans that are Base Rate Loans at such time which were then overdue.

3.6 Obligations Absolute. (a) The Borrower's obligations under subsection 3.5(a) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Lender, any L/C Participant or any beneficiary of a Letter of Credit.

(b) The Borrower also agrees with the Issuing Lender that the Issuing Lender shall not be responsible for, and the Borrower's Reimbursement Obligations under subsection 3.5(a) shall not be affected by, among other things, (i) the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged (unless the Issuing Lender has knowledge of such invalidity, fraud or forgery), or (ii) any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or (iii) any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee.

(c) Neither the Issuing Lender nor any L/C Participant shall be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Issuing Lender's gross negligence or willful misconduct.

(d) The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Commercial Code of the State of New York, shall be binding on the Borrower and shall not result in any liability of the Issuing Lender or any L/C Participant to the Borrower.

3.7 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the Issuing Lender shall promptly notify the Borrower and the Administrative Agent of the date and amount thereof. If any draft shall be presented for payment under any Letter of Credit, the responsibility of the Issuing Lender to the Borrower in connection with such draft shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment appear on their face to be in conformity with such Letter of Credit.

3.8 Application. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall govern and control.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Agents, the Issuing Lender, the Swing Line Lender and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the Borrower hereby represents and warrants to the Agents, the Issuing Lender, the Swing Line Lender and each Lender that:

4.1 Financial Condition. (a) The combined balance sheets of the Lockheed Martin Predecessor Businesses as at December 31, 1996 and December 31, 1995 and the related combined statements of operations and changes in invested equity and cash flows for each of the three years in the period ended December 31, 1996, audited by Coopers & Lybrand L.L.P., copies of which have heretofore been furnished to each Lender, present fairly, in all material respects, in accordance with GAAP the combined financial condition of the Lockheed Martin Predecessor Businesses as of such dates, and the combined results of their operations and changes in invested equity and cash flows for each of the years in the period ended December 31, 1996. All such financial statements have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by such auditors and as disclosed therein). To the best of the Borrower's knowledge, none of the Lockheed Martin Predecessor Businesses had, at the date of each balance sheet referred to above, any material Guarantee Obligation, contingent liability or liability for taxes, or any long-term lease or unusual forward or long-term commitment, including, without limitation, any material interest rate or foreign currency swap or exchange transaction, which is not reflected in the foregoing statements or in the notes thereto or expressly permitted to be incurred hereunder. To the best of the Borrower's knowledge, during the period from December 31, 1996 to and including the date hereof there has been no sale, transfer or other disposition by the Lockheed Martin Predecessor Businesses of any material part of its business or property (except as disclosed in the Transaction Documents) other than pursuant to the Asset Contribution and no purchase or other acquisition of any business or property (including any capital stock of any other Person) material in relation to the consolidated financial condition of the Lockheed Martin Predecessor Businesses at December 31, 1996.

(b) The combined statements of operations and cash flows for the three months ended March 31, 1996 and the years ended December 31, 1995 and 1994 of the Loral Acquired Businesses, audited by Coopers & Lybrand L.L.P., copies of which have heretofore been furnished to each Lender, present fairly, in all material respects, in accordance with GAAP the combined results of operations and cash flows of the Loral Acquired Businesses for the three months ended March 31, 1996, and the years ended December 31, 1995 and 1994. All such financial statements have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by such accountants and as disclosed therein). To the best of the Borrower's knowledge, during the period from December 31, 1996 to and including the date hereof, there has been no sale, transfer or other disposition by any of the Loral Acquired Businesses of any material part of its business or property (except as disclosed in the Transaction Documents) other than pursuant to the Asset Contribution and no purchase or other acquisition of any business or property (including any capital stock of any

other Person) material in relation to the consolidated financial condition of Loral Acquired Businesses at December 31, 1996.

(c) The unaudited pro forma condensed consolidated financial statements of the Borrower, as of December 31, 1996 and for the year then ended, certified by a Responsible Officer (the "Pro Forma Financial Statements"), copies of which have been furnished to each Lender, comprise the unaudited combined financial statements of (x) the Lockheed Martin Predecessor Businesses as of December 31, 1996 and for the year then ended and (y) the Loral Acquired Businesses for the three months ended March 31, 1996, adjusted to give effect (as if such events had occurred on such dates) to the Asset Contribution and each of the other transactions contemplated by the Transaction Documents. The Pro Forma Financial Statements have been prepared based on good faith assumptions in accordance with Regulation S-X under the Securities Exchange Act of 1934, as amended, and based on the best information available to the Borrower, as of the date of delivery thereof, and reflect on a pro forma basis the financial position and results of operations of the Borrower and its Subsidiaries, as of December 31, 1996, and for the year then ended.

4.2 No Change. Since December 31, 1996 there has been no development, event or circumstance which has had or could reasonably be expected to have a Material Adverse Effect.

4.3 Corporate Existence; Compliance with Law. Each of Holdings, the Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is, or will be on or before the date set forth in subsection 6.12, duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that the failure to so qualify could not, in the aggregate, reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.4 Corporate Power; Authorization; Enforceable Obligations. Each of Holdings, the Borrower and its Subsidiaries has the corporate power and authority, and the legal right, to make, deliver and perform the Credit Documents to which it is a party and, in the case of the Borrower, to borrow hereunder and has taken all necessary corporate action to authorize the borrowings on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of such Credit Documents and Transaction Documents. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of the Credit Documents and Transaction Documents to which the Borrower and each other Credit Party is a party, except those referred to in subsections 4.17 and 6.13 and those set forth on Schedule 4.4. This Agreement has been, and each other Credit Document and Transaction Document will be, duly executed and delivered on behalf of the Borrower and each other Credit Party. This Agreement constitutes, and each other Credit Document and Transaction Document to which it is a party when executed and delivered will constitute,

a legal, valid and binding obligation of each Credit Party thereto enforceable against each such Credit Party, as the case may be, in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

4.5 No Legal Bar. Except as set forth on Schedule 4.5 or as could not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect, the execution, delivery and performance of each Credit Document, the borrowing and use of the proceeds of the Loans and the consummation of the transactions contemplated by the Credit Documents and the Transaction Documents: (a) will not violate any Requirement of Law or any Contractual Obligation applicable to or binding upon Holdings, the Borrower or any Subsidiary of the Borrower or any of their respective properties or assets and (b) will not result in the creation or imposition of any Lien on any of its properties or assets pursuant to any Requirement of Law applicable to it or any of its Contractual Obligations, except for the Liens arising under the Security Documents.

4.6 No Material Litigation. Except as set forth on Schedule 4.6, no litigation by, investigation by, or proceeding of or before any arbitrator or any Governmental Authority is pending or, to the knowledge of the Borrower, overtly threatened by or against the Borrower or any of its Subsidiaries or against any of its or their respective properties or revenues (including after giving effect to the Asset Contribution and the other transactions contemplated by the Transaction Documents) with respect to any Credit Document or any of the transactions contemplated hereby or thereby or which could reasonably be expected to have a Material Adverse Effect.

4.7 No Default. Neither Holdings, the Borrower nor any of its Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.8 Ownership of Property; Liens. Each of Holdings, the Borrower and its Subsidiaries (i) has good record and insurable title in fee simple to all the real property listed on Schedule 4.8, (ii) has good record and insurable title in fee simple to, or a valid leasehold interest in, all its other material real property, (iii) has good title to, or a valid leasehold interest in, all its other material property and (iv) none of such property in clauses (i) through (iii) is or shall be subject to any Lien except as permitted by subsection 7.3.

4.9 Intellectual Property. Holdings, the Borrower and each of its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, technology, know-how and processes necessary for the conduct of its business as currently conducted except for those the failure to own or license which could not reasonably be expected to have a Material Adverse Effect (the "Intellectual Property"). To the best of the Borrower's knowledge, and except as set forth on Schedule 4.9, no claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does the Borrower know of any valid basis for any such claim which could reasonably be expected to have a Material Adverse

Effect. The use of such Intellectual Property by Holdings, the Borrower and its Subsidiaries does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

4.10 Taxes. Except as set forth on Schedule 4.10, each of Holdings, the Borrower and its Subsidiaries has filed or caused to be filed all material tax returns which, to the knowledge of the Borrower, are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other material taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Holdings, the Borrower or its Subsidiaries, as the case may be); no tax Lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

4.11 Federal Regulations. No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation G or Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect.

4.12 ERISA. The Borrower has provided to the Agents a true and correct copy of all Agreements, arrangements and understandings relating to the transfer of Plans from the Seller to the Borrower (the "Transfer Agreements"). The Transfer Agreements are in full force and effect and have not been waived or modified without the consent of the Agents (which shall not be unreasonably withheld) except to the extent any such waiver or modification, singly or in the aggregate, could not be reasonably expected to have a Material Adverse Effect. Except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, no Reportable Event has occurred with respect to any Single Employer Plan, all contributions required to be made with respect to a Plan have been timely made; none of the Borrower or any of its Subsidiaries nor any Commonly Controlled Entity has incurred any material liability to or on account of a Plan pursuant to Section 409, 502(i), 502(1), 515, 4062, 4063, 4064, 4069, 4201, 4204 or 4212 of ERISA or Section 401(a)(29), 4971, 4975 or 4980 of the Code or expects to incur any liability (including any indirect, contingent or secondary liability) under any of the foregoing Sections with respect to any Plan; no termination or, or institution of proceedings to terminate or appoint a trustee to administer, a Single Employer Plan has occurred; and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code (except that with respect to any Multiemployer Plan, such representation is deemed made only to the knowledge of the Borrower). No "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA), extension of any amortization period (within the meaning of Section 412 of the Code) or Lien in favor of the PBGC or a Plan has arisen or has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Single Employer Plan. As of the last annual valuation date prior to the date on which this representation is made or deemed made, the fair market value of the assets available for benefits under each Single Employer Plan did not exceed the actuarial present value of all accumulated benefit obligations under such Plan by more than $20,000,000, all

as determined in accordance with Statement of Financial Accounting Standards No. 87. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan for which there is any outstanding liability, and neither the Borrower nor any Commonly Controlled Entity would become subject to any liability under ERISA if the Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made in an amount which would be reasonably likely to have a Material Adverse Effect. To the best knowledge of the Borrower, no such Multiemployer Plan is in Reorganization or Insolvent.

4.13 Investment Company Act; Other Regulations. None of the Borrower or any of its Subsidiaries is an "investment company," or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended. None of the Borrower or any of its subsidiaries is not subject to regulation under any Federal or State statute or regulation (other than Regulation X of the Board of Governors of the Federal Reserve System) which limits its ability to incur Indebtedness.

4.14 Subsidiaries. After giving effect to the consummation of the Transaction, the Subsidiaries of the Borrower and their respective jurisdictions of incorporation shall be as set forth on Schedule 4.14.

4.15 Purpose of Loans. The proceeds of the Loans shall be used by the Borrower (i) to finance a portion of the Transaction and related fees and expenses in an aggregate amount not to exceed $185,000,000 and (ii) for working capital purposes in the ordinary course of business of the Borrower and its Subsidiaries.

4.16 Environmental Matters.

Except insofar as any exception to any of the following, or any aggregation of such exceptions, is not reasonably likely to result in a Material Adverse Effect:

(a) The facilities and properties owned, leased or operated Holdings, by the Borrower or any of its Subsidiaries (the "Properties") do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations which (i) constitute or constituted a violation of, or (ii) could reasonably be expected to give rise to liability under, any applicable Environmental Law.

(b) None of Holdings, the Borrower nor any of its Subsidiaries has received any written notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the Business, nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened.

(c) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location which could reasonably be expected to give rise to liability under, any applicable Environmental Law, nor have any Materials of Environmental Concern been generated, treated,

stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could reasonably be expected to give rise to liability under, any applicable Environmental Law.

(d) No judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Borrower, threatened, under any Environmental Law to which Holdings, the Borrower or any Subsidiary is or, to the knowledge of the Borrower, will be named as a party or with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business.

(e) There has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of Holdings, the Borrower or any Subsidiary in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could reasonably give rise to liability under any applicable Environmental Laws.

(f) The Properties and all operations at the Properties are in compliance, and have in the last 3 years been in compliance, in all material respects with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any applicable Environmental Law with respect to the Properties or the business operated by Holdings, the Borrower or any of its Subsidiaries (the "Business") which could materially interfere with the continued operation of the Properties or materially impair the fair saleable value thereof.

(g) Holdings, the Borrower and its Subsidiaries hold and are in compliance with all Environmental Permits necessary for their operations.

4.17 Collateral Documents. (a) Upon execution and delivery thereof by the parties thereto, each of the Borrower Pledge and Security Agreement, the Subsidiary Pledge and Security Agreement and the Parent Pledge and Security Agreement will be effective to create in favor of the Administrative Agent, for the ratable benefit of the Lenders, a legal, valid and enforceable security interest in the pledged stock described therein and, when stock certificates representing or constituting the pledged stock described therein are delivered to the Administrative Agent, such security interest shall, subject to the existence of Permitted Liens, constitute a perfected first lien on, and security interest in, all right, title and interest of the pledgor party thereto in the pledged stock described therein.

(b) Upon execution and delivery thereof by the parties thereto, each of the Borrower Pledge and Security Agreement, the Subsidiary Pledge and Security Agreement and the Parent Pledge and Security Agreement will be effective to create in favor of the Administrative Agent, for the ratable benefit of the Lenders, a legal, valid and enforceable security interest in the collateral described therein. Uniform Commercial Code financing statements have been filed in each of the jurisdictions listed on Schedule 4.17, each such Agreement has been filed in each of the government

offices listed on Schedule 4.17 or arrangements have been made for such filing in such jurisdictions, and upon such filings, and upon the taking of possession by the Administrative Agent of any such collateral the security interests in which may be perfected only by possession, such security interests will, subject to the existence of liens as permitted by the definition of Permitted Liens, constitute perfected first priority liens on, and security interests in, all right, title and interest of the debtor party thereto in the collateral described therein, except, in the case of each of the Borrower Pledge and Security Agreement, the Subsidiary Pledge and Security Agreement and the Parent Pledge and Security Agreement, to the extent that a security interest cannot be perfected therein by the filing of a financing statement or the taking of possession under the Uniform Commercial Code of the relevant jurisdiction.

(c) Upon (a) execution and delivery of the Mortgages by the parties thereto, (b) the recording of such Mortgages in the jurisdiction listed on Schedule 4.17 and (c) the payment of any required mortgage recording taxes, each of the Mortgages will be effective to create in favor of the Administrative Agent, for the ratable benefit of the Lenders, a legal, valid and enforceable lien on the real property described therein and such liens will, as of the Closing Date, subject to the existence of liens as permitted by clauses (a), (e), (f) and (g) of the definition of Permitted Liens, constitute first priority liens on the real property described therein.

4.18 Accuracy and Completeness of Information. No fact is known to Holdings, the Borrower or any of its Subsidiaries which has had or could reasonably be expected to have a Material Adverse Effect, which has not been disclosed to the Lenders by Holdings, the Borrower or its Subsidiaries in writing prior to the date hereof. No document furnished or statement made in writing to the Lenders by Holdings, the Borrower, any Subsidiary or any party to any of the Transaction Documents in connection with the negotiation, preparation or execution of this Agreement or any of the other Credit Documents, taken as a whole, (including the Confidential Offering Memorandum dated April 1997 relating to this facility but excluding all projections (including industry forecasts and statistical data) and pro forma financial statements (whether or not contained therein) which shall have been prepared in good faith and based upon reasonable assumptions) contains any untrue statement of a material fact or omits to state any such material fact necessary in order to make the statements contained therein not misleading in the context in which such statements are made. The Equity Documents constitute all of the agreements relating to the Equity Investment and the Subordinated Debt Documents constitute all of the agreements relating to the Subordinated Debt.

4.19 Solvency. On the Closing Date and after giving effect to the Asset Contribution and the other transactions contemplated by the Transaction Documents including borrowings hereunder on such date and the incurrence of all other Indebtedness and Guarantee Obligations being incurred on such date, the Borrower is "Solvent," in that (a) the property, at a fair valuation, of Holdings and its Subsidiaries, individually and taken together as a single entity, will exceed their debts, (b) the present fair salable value of the assets of Holdings and its Subsidiaries, individually and taken together as a single entity, is not less than the amount that will be required to pay their probable liabilities as such debts become absolute and matured, and (c) the Borrower does not intend to, and does not believe that Holdings and its Subsidiaries, individually and taken together as a single

entity, will, incur debts or liabilities beyond the their ability to pay as such debts and liabilities mature. For purposes of this subsection, "debt" means "liability on a claim" and "claim" means any (i) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

4.20 Labor Matters. There are no strikes pending or, to the Borrower's knowledge, overtly threatened against Holdings, the Borrower or any of its Subsidiaries which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. The hours worked and payments made to employees of Holdings, the Borrower and each of its Subsidiaries (and their predecessors) have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law, except to the extent such violations could not, or in the aggregate, be reasonably expected to have a Material Adverse Effect.

4.21 Transaction Documents. To the best of the Borrower's knowledge, the representations and warranties contained in the Transaction Documents, taken as a whole, are true and correct in all material respects as of the Closing Date. On the Closing Date, the Asset Contribution will have been consummated in accordance with the Transaction Documents.

SECTION 5. CONDITIONS PRECEDENT

5.1 Conditions to Initial Loans. The agreement of each Lender to make the initial extension of credit requested to be made by it is subject to the satisfaction, immediately prior to or concurrently with the making of such extension of credit (including the making of any Loan or the issuance of any Letter of Credit) on the Closing Date, of the following conditions precedent:

(a) Credit Documents. The Administrative Agent shall have received (i) this Agreement, (ii) the Guarantees, (iii) the Mortgages and (iv) the Security Documents, in each case executed, duly acknowledged and delivered by duly authorized officers of each party thereto, with a counterpart or a conformed copy for each Lender. Notwithstanding the foregoing, no Foreign Subsidiary of Holdings or the Borrower shall be required to execute a Subsidiary Guarantee or Subsidiary Pledge and Security Agreement, and no more than 65% of the capital stock of or equity interests in any Foreign Subsidiary of the Borrower, Holdings or any of their Subsidiaries, or any other of their Subsidiaries if more than 65% of the assets of such Subsidiary are securities of foreign companies (such determination to be made on the basis of fair market value), shall be required to be pledged hereunder.

(b) Related Agreements. The Administrative Agent shall have received, with a copy for each Lender, true and correct copies, certified as to authenticity by the Borrower, of each of the Transaction Documents and such other documents or instruments as may be reasonably requested by the Administrative Agent, including,

without limitation, a copy of any debt instrument, security agreement or other material contract to which the Borrower or any of its Subsidiaries may be a party (after giving effect to the Asset Contribution).

(c) Asset Contribution. The Asset Contribution shall have been consummated pursuant to the Transaction Agreement, and no material provision of the Transaction Agreement shall have been amended, supplemented, waived or otherwise modified without the prior written consent of the Agents. The Agents shall be reasonably satisfied with the aggregate amount of fees and expenses payable by the Borrower and its Subsidiaries in connection with the transactions contemplated hereby and by the Transaction Documents.

(d) Capitalization; Capital Structure (i) After giving effect to the Asset Contribution and the other transactions contemplated by the Transaction Documents, the Borrower shall have the capital structure set forth in the Pro Forma Financial Statements.

(ii) The Subordinated Debt Documents shall have been executed and delivered by the parties thereto (and shall be in form and substance reasonably satisfactory to the Agents), shall be in full force and effect and none of the provisions thereof shall have been amended, waived, supplemented or otherwise modified without the prior written consent of the Agents; and the Borrower shall have issued the Subordinated Debt in a principal amount, and received gross proceeds in the amount of $225,000,000.

(iii) The Equity Documents shall have been executed and delivered by the parties thereto (and shall be in form and substance reasonably satisfactory to the Agents), shall be in full force and effect and none of the provisions thereof shall have been amended, waived, supplemented or otherwise modified without the prior written consent of the Agents; and the Borrower shall have received at least $79,850,000 in net cash proceeds in accordance with the terms of the Equity Documents.

(e) Fees. The Agents, the Arranger and the Lenders shall have received all fees, expenses and other consideration required to be paid on or before the Closing Date.

(f) Lien Searches. The Administrative Agent shall have received the results of a search of Uniform Commercial Code, tax and judgment filings made with respect to each of the Borrower and its Subsidiaries (after giving effect to the Asset Contribution) and, without duplication, the Lockheed Martin Predecessor Businesses and the Loral Acquired Businesses in the jurisdictions set forth on Schedule 4.17 together with copies of financing statements disclosed by such searches, and such searches shall disclose no Liens on any assets encumbered by any Security Document, except for Liens permitted hereunder or, if unpermitted Liens are disclosed, the Administrative Agent shall have received satisfactory evidence of the release of such Liens.

(g) Consents, Authorizations and Filings, etc. Except for the financing statements contemplated by the Security Documents and

the filing of the Security Documents and the Assignment Consent, all consents, authorizations and filings, if any, required in connection with the execution, delivery and performance by the Credit Parties, and the validity and enforceability against the Credit Parties, of the Credit Documents to which any of them is a party, shall have been obtained or made, and such consents, authorizations and filings shall be in full force and effect, except such consents, authorizations and filings, the failure to obtain which would not have a Material Adverse Effect.

(h) Insurance. The Lenders shall have received (i) a reasonably satisfactory schedule describing all insurance maintained by the Borrower and its Subsidiaries (after giving effect to the Asset Contribution) pursuant to subsection 6.5, and (ii) binders (or other customary evidence as to the obtaining and maintenance by the Borrower and its Subsidiaries of such insurance) for each policy set forth on such schedule insuring against casualty and other usual and customary risks.

(i) Litigation. On the Closing Date, there shall be no actions, suits or proceedings pending or threatened against any Credit Party (a) with respect to this Agreement or any other Credit Document or any Transaction Document or the transactions contemplated hereby or thereby (including the Asset Contribution) or (b) which the Agents or the Required Lenders shall determine could reasonably be expected to have a Material Adverse Effect.

(j) Borrowing Certificate. The Administrative Agent shall have received, with a counterpart for each Lender, a certificate of the Borrower, dated the Closing Date, substantially in the form of Exhibit E, with appropriate insertions and attachments, reasonably satisfactory in form and substance to the Administrative Agent, executed by the President or any Vice President and the Secretary or any Assistant Secretary of the Borrower.

(k) Corporate Proceedings of the Borrower. The Administrative Agent shall have received, with a counterpart for each Lender, a copy of the resolutions, in form and substance reasonably satisfactory to the Administrative Agent, of the Board of Directors of the Borrower authorizing (i) the execution, delivery and performance of the Credit Documents to which it is a party, (ii) the borrowings contemplated hereunder, (iii) the granting by it of the Liens created pursuant to the Security Documents to which it is a party and (iv) the execution, delivery and performance of the Transaction Documents to which it is a party, certified by the Secretary or an Assistant Secretary of the Borrower as of the Closing Date, which certificate shall be in form and substance reasonably satisfactory to the Administrative Agent and shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded.

(l) Borrower Incumbency Certificate. The Administrative Agent shall have received, with a counterpart for each Lender, a Certificate of the Borrower, dated the Closing Date, as to the incumbency and signature of the officers of the Borrower executing any Credit Document reasonably satisfactory in form and substance to the Administrative Agent, executed by the President or any Vice

President and the Secretary or any Assistant Secretary of the Borrower.

(m) Corporate Proceedings of Other Credit Parties. The Administrative Agent shall have received, with a counterpart for each Lender, a copy of the resolutions, in form and substance satisfactory to the Administrative Agent, of the Board of Directors of each Credit Party (other than the Borrower) authorizing (i) the execution, delivery and performance of the Credit Documents to which it is a party, (ii) the granting by it of the Liens created pursuant to the Security Documents to which it is a party and (iii) the execution, delivery and performance of the Transaction Documents to which it is a party, certified by the Secretary or an Assistant Secretary of each such Credit Party as of the Closing Date, which certificate shall be in form and substance reasonably satisfactory to the Administrative Agent and shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded.

(n) Credit Party Incumbency Certificates. The Administrative Agent shall have received, with a counterpart for each Lender, a certificate of each Credit Party (other than the Borrower), dated the Closing Date, as to the incumbency and signature of the officers of such Credit Party executing any Credit Document, reasonably satisfactory in form and substance to the Administrative Agent, executed by the President or any Vice President and the Secretary or any Assistant Secretary of each such Credit Party.

(o) Corporate Documents. The Administrative Agent shall have received, with a counterpart for each Lender, true and complete copies of the certificate of incorporation and by-laws of each Credit Party, certified as of the Closing Date as complete and correct copies thereof by the Secretary or an Assistant Secretary of the such Credit Party.

(p) Legal Opinions. The Administrative Agent shall have received, with a counterpart for each Lender, the following executed legal opinions:

(i) the executed legal opinion of each of Simpson Thacher and Bartlett and Fried, Harris, Shriver & Jacobson, counsel to the Borrower and the other Credit Parties, substantially in the form of Exhibits D-1 and D-2, respectively; and

(ii) the executed legal opinions of each of Simpson Thacher and Bartlett and Miles & StockBridge, counsel to the Seller delivered pursuant to the Transaction Agreement, each accompanied by a reliance letter in favor of the Lenders.

Each such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the Agents may reasonably require.

(q) Pledged Stock; Stock Powers. The Administrative Agent shall have received the certificates representing the shares pledged pursuant to each of the Security Documents together with an undated

stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof.

(r) Actions to Perfect Liens. (i) The Administrative Agent shall have received evidence in form and substance reasonably satisfactory to it that all filings, recordings, registrations and other actions, including, without limitation, the filing of duly executed financing statements on form UCC-1, necessary or, in the opinion of the Administrative Agent, desirable to perfect the Liens created by the Security Documents shall have been completed. The Borrower shall have delivered to the Administrative Agent (A) each Mortgage, each executed and delivered by a duly authorized officer of the mortgagor party thereto, with a counterpart or a conformed copy for each Lender and (B) legal opinions from local counsel in the jurisdictions of such Mortgage relating to such Mortgage and the perfection of Liens created by the Security Documents on personal property located in such jurisdiction, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(ii) The Borrower shall have delivered to the Administrative Agent and the title insurance company issuing the policy referred to below (the "Title Insurance Company") maps or plats of an as-built survey of the sites of the property covered by each Mortgage (other than as set forth on Schedule 6.10) certified to the Administrative Agent and the Title Insurance Company in a manner satisfactory to them, dated a date reasonably satisfactory to the Administrative Agent and the Title Insurance Company by an independent professional licensed land surveyor reasonably satisfactory to the Administrative Agent and the Title Insurance Company, which maps or plats and the surveys on which they are based shall be made in accordance with the Minimum Standard Detail Requirements for Land Title Surveys jointly established and adopted by the American Land Title Association and the American Congress on Surveying and Mapping in 1992, and, without limiting the generality of the foregoing, there shall be surveyed and shown on such maps, plats or surveys the following: (A) the locations on such sites of all the buildings, structures and other improvements and the established building setback lines; (B) the lines of streets abutting the sites and width thereof; (C) all access and other easements appurtenant to the sites or necessary or desirable to use the sites; (D) all roadways, paths, driveways, easements, encroachments and overhanging projections and similar encumbrances affecting the site, whether recorded, apparent from a physical inspection of the sites or otherwise known to the surveyor; (E) any encroachments on any adjoining property by the building structures and improvements on the sites; and (F) if the site is described as being on a filed map, a legend relating the survey to said map.

(iii) The Borrower shall deliver to the Administrative Agent in respect of each parcel covered by each Mortgage (other than as set forth on Schedule 6.10) a mortgagee's title policy (or policies) or marked up

unconditional binder for such insurance dated a date reasonably satisfactory to the Agents. Each such policy shall (A) be in an amount reasonably satisfactory to the Agents; (B) be issued at ordinary rates; (C) insure that the Mortgage insured thereby creates a valid first Lien on such parcel free and clear of all defects and encumbrances, except for liens permitted by clauses (a), (e), (f) and (g) of the definition of Permitted Liens and such other liens and defects as may be approved by the Agents; (D) name the Administrative Agent for the benefit of the Lenders as the insured thereunder; (E) be in the form of ALTA Loan Policy - 1992; (F) contain such endorsements and affirmative coverage as the Agents may reasonably request and (G) be issued by title companies satisfactory to the Agents (including any such title companies acting as co-insurers or reinsures, at the option of the Agents). The Administrative Agent shall have received evidence reasonably satisfactory to it that all premiums in respect of each such policy, and all charges for mortgage recording tax, if any, have been paid.

(iv) If required pursuant to Regulation H of the Board of Governors of the Federal Reserve System ("Regulation H") the Borrower shall deliver to the Administrative Agent (A) a policy of flood insurance which (1) covers any parcel of improved real property which is encumbered by any Mortgage, (2) is written in an amount not less than the outstanding principal amount of the indebtedness secured by such Mortgage which is reasonably allocable to such real property or the maximum limit of coverage made available with respect to the particular type of property under the National Flood Insurance Act of 1968, whichever is less, and (3) has a term ending not earlier than the maturity of the indebtedness secured by such Mortgage and (B) confirmation that the Borrower has received the notice required pursuant to Section 208(e)(3) of Regulation H.

(v) The Borrower shall deliver to the Administrative Agent a copy of all recorded documents referred to, or listed as exceptions to title in, the title policy or policies referred to in this subsection 3.1(r) and a copy, certified by such parties as the Agents may reasonably deem appropriate, of all other documents affecting the property covered by each Mortgage (other than as set forth on Schedule 6.10).

(vi) With respect to any parcel of real property owned in fee by the Borrower or any Subsidiary on which fixtures having an aggregate book value exceeding $250,000 are located, take all actions that the Agents may reasonably require, including (if such property is not covered by a recorded Mortgage) the filing of UCC fixture filing financing statements, to cause the security interest created by the Security Documents in such fixtures to be perfected and with respect to any parcel of real property leased by the Borrower or any Subsidiary on which fixtures having an aggregate book value exceeding $250,000 are

located, use commercially reasonable efforts to obtain the consent of the landlord of such property to the filing of UCC fixture filing financing statements and make such filings if such consent is obtained.

(s) Solvency Opinion. The Administrative Agent shall have received, with a counterpart for each Lender, a solvency opinion reasonably satisfactory to the Agents from an independent valuation firm reasonably satisfactory to the Agents which shall document the solvency of Holdings and its Subsidiaries (including the Borrower) individually and taken together as a single entity, after giving effect to the Asset Contribution, the making of the Loans, the issuance of the Subordinated Debt and the other transactions contemplated hereby and by the Transaction Documents.

(t) Environmental Report. The Administrative Agent shall have received an environmental report prepared by H2M Associates, Inc., dated April 1997, regarding Holdings and its Subsidiaries, and a letter that entitles the Administrative Agent, the other Agents and the Lenders to rely on such report as if prepared for and addressed to each of them.

(u) Business Plan. The Lenders shall have received a reasonably satisfactory business plan for Holdings and its Subsidiaries for the period beginning January 1, 1997 and ending December 31, 2006, which plan shall include a written analysis of the business and prospects of Holdings and its Subsidiaries.

5.2 Conditions to Each Extension of Credit. The agreement of each Lender to make any extension of credit requested to be made by it on any date (including, without limitation, its initial Loan but excluding Revolving Credit Loans made to repay Refunded Swing Line Loans) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by the Borrower and each Credit Party in or pursuant to the Credit Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except for any representation and warranty which is expressly made as of an earlier date, which representation and warranty shall have been true and correct in all material respects as of such earlier date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or will occur or exist after giving effect to the extensions of credit requested to be made on such date.

(c) Additional Matters. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be satisfactory in form and substance to the Agents, and the Administrative Agent shall have received such other documents and legal opinions in respect of any aspect or consequence of the transactions contemplated hereby or thereby as it shall reasonably request.

Each borrowing by, and each Letter of Credit issued on behalf of, the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date thereof that the conditions contained in this subsection have been satisfied.

SECTION 6. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect or any amount is owing to any Lender or any Agent hereunder or under any other Credit Document, the Borrower shall and (except in the case of delivery of financial information, reports and notices) shall cause each of its Subsidiaries to:

6.1 Financial Statements. Furnish to the Administrative Agent with copies for each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, (i) a copy of the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income and retained earnings and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by independent certified public accountants of nationally recognized standing and (ii) an unaudited unconsolidated balance sheet of Holdings prepared on an equity basis (without footnote disclosure) certified by a Responsible Officer of Holdings as being fairly stated in all material respects;

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and retained earnings and of cash flows of the Borrower and its consolidated Subsidiaries for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

6.2 Certificates; Other Information. Furnish to the Administrative Agent with copies for each Lender:

(a) concurrently with the delivery of the financial statements referred to in subsection 6.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that, in performing their audit, nothing came to their attention that caused them to believe that the Borrower failed

to comply with the provisions of subsection 7.1, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in subsections 6.1(a) and (b), a certificate of a Responsible Officer stating that, to the best of such Officer's knowledge, during such period (i) no Subsidiary has been formed or acquired (or, if any such Subsidiary has been formed or acquired, the Borrower has complied with the requirements of subsection 6.10 with respect thereto), (ii) none of Holdings, the Borrower nor any of its Subsidiaries has changed its name, its principal place of business, its chief executive office or the location of any material item of tangible Collateral without complying with the requirements of this Agreement and the Security Documents with respect thereto and (iii) such Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate;

(c) concurrently with the delivery of financial statements pursuant to subsection 6.1(a) or (b), a certificate of the chief financial officer of the Borrower setting forth, in reasonable detail, the computations, as applicable, of (i) the Debt Ratio, (ii) Excess Cash Flow and (iii) the financial covenants set forth in subsection 7.1, as of such last day or for the fiscal period then ended, as the case may be;

(d) not later than 60 days after the end of each fiscal year of the Borrower, a copy of the projections by the Borrower of the operating budget and cash flow budget of the Borrower and its Subsidiaries for the succeeding fiscal year, such projections to be accompanied by a certificate of a Responsible Officer to the effect that such projections have been prepared on the basis of sound financial planning practice and that such Officer has no reason to believe they are incorrect or misleading in any material respect;

(e) within five days after the same are sent, copies of all financial statements and reports which the Borrower or Holdings sends to its stockholders, and within five days after the same are filed, copies of all financial statements and other reports which the Borrower or Holdings may make to, or file with, the Securities and Exchange Commission or any successor or analogous Governmental Authority; and

(f) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

6.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be; provided that, notwithstanding the foregoing, the Borrower and each of its Subsidiaries shall have the right not to pay any such obligation and in good faith contest, by proper legal actions or proceedings, the invalidity or amount of such claims.

6.4 Conduct of Business and Maintenance of Existence. Except as permitted by subsection 7.5 and subsection 7.6, continue to engage in business of the same general type as now conducted by it (after giving effect to the Transaction); preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business; and keep all property useful and necessary in its business in good working order and condition except if (i) in the reasonable business judgment of the Borrower or such Subsidiary, as the case may be, it is in its best economic interest not to preserve and maintain such rights, privileges or franchises, and (ii) such failure to preserve and maintain such privileges, rights or franchises would not materially adversely affect the rights of the Lenders hereunder or the value of the Collateral, and except as otherwise permitted pursuant to subsection 7.5; comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, be reasonably expected to have a Material Adverse Effect.

6.5 Maintenance of Property; Insurance. (a) Maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, cargo loss and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business; and furnish to the Administrative Agent with copies for each Lender, upon written request, full information as to the insurance carried except to the extent that the failure to do any of the foregoing with respect to any such property could not reasonably be expected to materially adversely affect the value or usefulness of such property; provided that in any event the Borrower will maintain, and will cause each of its Subsidiaries to maintain, to the extent obtainable on commercially reasonable terms, (i) property and casualty insurance on all real and personal property on an all risks basis (including the perils of flood and quake), covering the repair or replacement cost of all such property and consequential loss coverage for business interruption and extra expense (which shall be limited to fixed construction expenses and such other business interruption expenses as are otherwise generally available to similar businesses), covering such risks, for such amounts not less than those, and with deductible and self-insurance amounts not greater than those, set forth in Schedule 6.5, (ii) public liability insurance (including products liability coverage) covering such risks, for such amounts no less than those, and with deductible amounts not greater than those, set forth in Schedule 6.5 and (iii) such other insurance coverage in such amounts and with respect to such risks as the Required Lenders may reasonably request. All such insurance shall be provided by insurers or reinsurers which (x) in the case of the United States insurers and reinsurers have an A.M. Best policyholders rating of not less than A- with respect to primary insurance and B+ with respect to excess insurance and (y) in the case of non-United States insurers or reinsurers, the providers of at least 80% of such insurance have either an ISI policyholders rating of not less than A, an A.M. Best policyholders rating of not less than A- or a surplus of not less than $500,000,000 with respect to primary insurance, and an ISI policyholders rating of not less than BBB with respect to excess insurance, or, if the relevant insurance is not available from such insurers, such other insurers as the Administrative Agent may approve in writing. Such insurers may include a Subsidiary of the Borrower; provided that such Subsidiary need not satisfy the foregoing requirements if all but $15,000,000 of the insurance

provided by such Subsidiary is reinsured by one or more reinsurers which satisfy such requirements.

(b) The Borrower will deliver to the Administrative Agent on behalf of the Lenders, (i) on the Closing Date, a certificate dated such date showing the amount of coverage as of such date, (ii) upon request of any Lender through the Administrative Agent from time to time full information as to the insurance carried, (iii) promptly following receipt of notice from any insurer, a copy of any notice of cancellation or material change in coverage from that existing on the Closing Date, (iv) forthwith, notice of any cancellation or nonrenewal of coverage by the Borrower or any Subsidiary, and (v) promptly after such information is available to the Borrower, full information as to any claim for an amount in excess of $2,500,000 which respect to any property and casualty insurance policy maintained by the Borrower or any Subsidiary. The Administrative Agent shall be named as additional insured on all property and casualty insurance policies and a loss payee on all property insurance policies. Any proceeds from any such insurance policy in respect of any claim, or any condemnation award or other compensation in respect of a condemnation (or any transfer or disposition of property in lieu of condemnation) for which the Borrower or any of its Subsidiaries receives a condemnation award or other compensation shall be paid to the Borrower or the Subsidiary; provided that: (A) the Borrower or the Subsidiary will use such proceeds, condemnation award or other compensation to repair, restore or replace the assets which were the subject of such claim within 6 months (or in the case of real property, 12 months) after receipt thereof (and a Responsible Officer shall deliver a certificate specifying in reasonable detail such usage not later than the last day of such relevant period), and (B) if, at the time of the receipt of such proceeds, condemnation award or other compensation, an Event of Default has occurred and is continuing, the aggregate amount of all such proceeds, condemnation award or other compensation shall be paid to the Administrative Agent and held as collateral for application in accordance with the Security Documents; and provided further that, to the extent that any amount of such proceeds, condemnation award or other compensation are not used or committed during the time periods specified in proviso (A) above, then, if requested by notice from the Required Lenders to the Borrower, all such remaining uncommitted proceeds, condemnation award or other compensation shall be paid to the Administrative Agent and held as Collateral for application in accordance with the Security Documents.

6.6 Inspection of Property; Books and Records; Discussions. Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities; and permit representatives of any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records (except to the extent any such access is restricted by a Requirement of Law) at any reasonable time on a Business Day and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Borrower and its Subsidiaries with officers and employees of the Borrower and its Subsidiaries and with its independent certified public accountants; provided that the Administrative Agent or such Lender shall notify the Borrower prior to any contact with such accountants and give the Borrower the opportunity to participate in such discussions; provided, further, that the Borrower shall notify the Administrative Agent of any such visits, inspections or discussions prior to each occurrence thereof.

6.7 Notices. Promptly give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of the Borrower or any of its Subsidiaries, (ii) litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority, which in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect or (iii) any material asset sale (describing in reasonable detail the assets sold, the consideration received therefor and the proposed use of the proceeds thereof);

(c) any other litigation or proceeding affecting the Borrower or any of its Subsidiaries in which the amount involved is $7,500,000 or more and not covered by insurance or in which injunctive or similar relief is sought; and

(d) the following events, as soon as possible and in any event within 45 days after the Borrower knows or has reason to know thereof: (i) the incurrence of an accumulated funding deficiency or the filing of an application to the Secretary of the Treasury for a waiver or modification of the minimum funding standard (including any required installment payments) or an extension of any amortization period under Section 412 of the Code with respect to a Plan, the creation of any Lien in favor of the PBGC or a Plan, the occurrence of any "Trigger Event" (as defined in the Transfer Agreements) and the reassumption by the Seller of sponsorship of any Single Employer Plan, (ii) except where such event or liability could not reasonably be expected to have a Material Adverse Effect, the occurrence or expected occurrence of any Reportable Event with respect to any Plan (other than a Multiple Employer Plan), or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan, or a failure to make any required contribution to a Plan, (iii) the institution of proceedings by the PBGC with respect to the withdrawal from, or the terminating, Reorganization or Insolvency of, any Single Employer Plan or Multiemployer Plan or (iv) except as could not reasonably be expected to have a Material Adverse Effect, the institution of proceedings or the taking of any other action with respect to the withdrawal from or termination of any Single Employer Plan;

Each notice pursuant to this subsection shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto.

6.8 Environmental Laws. (a)(i) Comply in all material respects with all Environmental Laws applicable to it, and obtain, comply in all material respects with and maintain any and all material Environmental Permits necessary for its operations as conducted and as planned; and (ii) take all reasonable efforts to ensure that all of its tenants, subtenants, contractors, subcontractors, and invitees comply in all material respects with all applicable Environmental Laws, and obtain, comply in all material

respects with and maintain any and all material Environmental Permits, applicable to any of them. Notwithstanding the foregoing, upon learning of any actual or suspected noncompliance, the Borrower or one or more of its Subsidiaries, as appropriate, shall promptly undertake all reasonable efforts to achieve material compliance.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions in each case required under applicable Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding applicable Environmental Laws except to the extent that the same are being contested in good faith by appropriate proceedings and the pendency of such proceedings could not be reasonably expected to have a Material Adverse Effect.

6.9 Further Assurances. Upon the reasonable request of the Administrative Agent, promptly perform or cause to be performed any and all acts and execute or cause to be executed any and all documents (including, without limitation, financing statements and continuation statements) for filing under the provisions of the Uniform Commercial Code or any other Requirement of Law which are necessary or advisable to maintain in favor of the Administrative Agent, for the benefit of the Lenders, Liens on the Collateral that are duly perfected in accordance with all applicable Requirements of Law.

6.10 Additional Collateral. (a) With respect to any assets acquired after the Closing Date by the Borrower or any of its Subsidiaries (including the Stock of newly created or acquired Subsidiaries) that are intended to be subject to the Lien created by any of the Security Documents but which are not so subject (other than (x) any assets described in paragraph (b) of this Section and (y) immaterial assets a Lien on which cannot be perfected by filing UCC-1 financing statements), promptly (and in any event within 30 days after the acquisition thereof): (i) execute and deliver to the Administrative Agent such amendments to the relevant Security Documents or such other documents as the Administrative Agent shall deem necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a Lien on such assets, (ii) take all actions necessary or advisable to cause such Lien to be duly perfected in accordance with all applicable Requirements of Law, including, without limitation, the filing of financing statements in such jurisdictions as may be requested by the Administrative Agent, and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described in clauses (i) and (ii) immediately preceding, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(b) With respect to any Person that, subsequent to the Closing Date, becomes a direct or indirect Subsidiary, promptly: (i) execute and deliver to the Administrative Agent, for the benefit of the Lenders, such amendments to the Subsidiary Pledge and Security Agreement as the Administrative Agent shall deem necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a Lien on the Capital Stock of such Subsidiary which is owned by the Borrower or any of its Subsidiaries, (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, together with undated stock powers executed and delivered in blank by a duly authorized officer of the Borrower or such Subsidiary, as the case may be, (iii) cause such new Subsidiary (A) to become

a party to the Subsidiary Pledge and Security Agreement, the Subsidiary Guarantee and the Mortgages delivered pursuant to clause (B) below, in each case pursuant to documentation which is in form and substance reasonably satisfactory to the Administrative Agent, (B) to deliver to the Documentation Agent Mortgages in form and substance reasonably satisfactory to the Documentation Agent with respect to all real property of such Subsidiary, and (C) to take all actions necessary or advisable to cause each Lien created by the Subsidiary Pledge and Security Agreement and the Mortgages delivered pursuant to clause (B) above to be duly perfected in accordance with all applicable Requirements of Law, including, without limitation, the filing of financing statements in such jurisdictions as may be requested by the Administrative Agent and (iv) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described in clauses (i), (ii) and (iii) immediately preceding, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent. Notwithstanding the foregoing, no Foreign Subsidiary of Holdings or the Borrower shall be required to execute a Subsidiary Guarantee or Subsidiary Pledge and Security Agreement, and no more than 65% of the capital stock of or equity interests in any Foreign Subsidiary of the Borrower, Holdings or any of their Subsidiaries, or any other of their Subsidiaries if more than 65% of the assets of such Subsidiary are securities of foreign companies (such determination to be made on the basis of fair market value), shall be required to be pledged hereunder.

(c) As promptly as practicable, but in any event within 120 days following the Closing Date, the Borrower shall have delivered to the Administrative Agent (A) a Mortgage with respect the real property described in Part I of Schedule 6.10, executed and delivered by a duly authorized officer of the mortgagor party thereto, with a counterpart or a conformed copy for each Lender and (B) legal opinions from local counsel in the jurisdiction of such Mortgage relating to such Mortgage and the perfection of Liens created by the Security Documents on personal property located in such jurisdiction, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(d) As promptly as practical, but in any event within 120 days following the Closing Date, the Borrower shall have delivered to the Administrative Agent and the Title Insurance Company maps or plats of an as-built survey of the sites of the property covered by each Mortgage set forth on Part II of Schedule 6.10 certified to the Administrative Agent and the Title Insurance Company in a manner satisfactory to them, dated a date reasonably satisfactory to the Administrative Agent and the Title Insurance Company by an independent professional licensed land surveyor reasonably satisfactory to the Administrative Agent and the Title Insurance Company, which maps or plats and the surveys on which they are based shall be made in accordance with the Minimum Standard Detail Requirements for Land Title Surveys jointly established and adopted by the American Land Title Association and the American Congress on Surveying and Mapping in 1992, and, without limiting the generality of the foregoing, there shall be surveyed and shown on such maps, plats or surveys the following: (A) the locations on such sites of all the buildings, structures and other improvements and the established building setback lines; (B) the lines of streets abutting the sites and width thereof; (C) all access and other easements appurtenant to the sites or necessary or desirable to use the sites; (D) all roadways, paths, driveways, easements, encroachments and overhanging projections and similar encumbrances affecting the site, whether recorded, apparent from a physical inspection of the sites or otherwise known to the surveyor; (E) any

encroachments on any adjoining property by the building structures and improvements on the sites; and (F) if the site is described as being on a filed map, a legend relating the survey to said map.

(e) As promptly as practical, but in any event within 120 days following the Closing Date, the Borrower shall deliver to the Administrative Agent in respect of each parcel covered by each Mortgage set forth on Part II Schedule 6.10 a mortgagee's title policy (or policies) or marked up unconditional binder for such insurance dated a date reasonably satisfactory to the Agents. Each such policy shall (A) be in an amount reasonably satisfactory to the Agents; (B) be issued at ordinary rates; (C) insure that the Mortgage insured thereby creates a valid first Lien on such parcel free and clear of all defects and encumbrances, except for liens permitted by clauses (a), (e), (f) and (g) of the definition of Permitted Liens and such other liens and defects as may be approved by the Agents; (D) name the Administrative Agent for the benefit of the Lenders as the insured thereunder; (E) be in the form of ALTA Loan Policy - 1992; (F) contain such endorsements and affirmative coverage as the Agents may reasonably request and (G) be issued by title companies satisfactory to the Agents (including any such title companies acting as co-insurers or reinsures, at the option of the Agents). The Administrative Agent shall have received evidence reasonably satisfactory to it that all premiums in respect of each such policy, and all charges for mortgage recording tax, if any, have been paid.

(f) As promptly as possible, but in any event within 120 days following the Closing Date, the Borrower shall deliver to the Administrative Agent a copy of all recorded documents referred to, or listed as exceptions to title in, the title policy or policies referred to in subsection 6.10(d) and a copy, certified by such parties as the Agents may reasonably deem appropriate, of all other documents affecting the property covered by each Mortgage set forth on Schedule 6.10.

(g) As promptly as possible, but in any event within 120 days following the Closing Date, if required pursuant to Regulation H of the Board of Governors of the Federal Reserve System ("Regulation H") the Borrower shall deliver to the Administrative Agent (A) a policy of flood insurance which (1) covers the parcel of improved real property which is encumbered by the Mortgage with respect to the real property set forth on Part I of Schedule 6.10, (2) is written in an amount not less than the outstanding principal amount of the indebtedness secured by such Mortgage which is reasonably allocable to such real property or the maximum limit of coverage made available with respect to the particular type of property under the National Flood Insurance Act of 1968, whichever is less, and (3) has a term ending not earlier than the maturity of the Indebtedness secured by such Mortgage and (B) confirmation that the Borrower has received the notice required pursuant to Section 208(e)(3) of Regulation H.

(h) As promptly as possible, but in any event within 120 days following the Closing Date, with respect to the parcel of real property described in Part I of Schedule 6.10, the Borrower shall take all actions that the Agents may reasonably require, including (if such property is not covered by a recorded Mortgage) the filing of UCC fixture filing financing statements, to cause the security interest created by the Security Documents in such fixtures to be perfected and with respect to any parcel of real property leased by the Borrower or any Subsidiary on which fixtures having an aggregate book value exceeding $250,000 are located, use commercially reasonable efforts to obtain the consent of the landlord of such property to

the filing of Ucc fixture filing financing statements and make such filings if such consent is obtained.

(i) Use reasonable efforts to take any action reasonably requested by the Agents with respect to any ground lease still in effect on the real property described in Part III of Schedule 6.10.

6.11 Interest Rate Protection. Within 180 days after the Closing Date, obtain interest rate protection for a period through June 30, 1999 for a notional amount of at least $59,000,000 on terms and conditions reasonably satisfactory to the Agents.

6.12 Foreign Jurisdictions. Within 60 days following the Closing Date, (i) be duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except to the extent that the failure to so qualify could not, in the aggregate, reasonably be expected to have a Material Adverse Effect, and (ii) deliver to the Administrative Agent certificates of good standing issued by the Secretary of State (or other relevant officers) of each jurisdiction referred to in clause (i) of this subsection 6.12.

6.13 Novation; Federal Assignment of Claims. (a) (i) Use commercially reasonable efforts to cause the Seller to perform its obligations under subsection 7.08 of the Transaction Agreement, (ii) use best efforts to perform its obligations under subsection 8.07 of the Transaction Agreement and (iii) use its best efforts to obtain as soon as practicable after the Closing Date the completion and effectiveness of the novation of each Government Contract (as defined in the Transaction Agreement) and the consent under the Assignment of Claims Act to the security interest of the Agents and the Lenders in all of the right, title and interest of the Borrower and its Subsidiaries in the Government Contracts (other than the Restricted Government Contracts) sold, assigned, transferred and conveyed by the Seller under the Transaction Agreement.

(b) Within ninety (90) days of the creation of a Government Contract or, upon the occurrence and during the continuance of a Default or an Event of Default, the Borrower and its Subsidiaries shall notify the Administrative Agent thereof, which notice shall set forth (i) each GC Notice Recipient with respect to such Government Contract and (ii) the anticipated annual gross revenue under such Government Contract and shall execute and deliver to the Administrative Agent all documents, in form and substance reasonably satisfactory to the Administrative Agent, and take all such other action (other than the transmittal of the notice of assignment to the U.S. Government) reasonably required by the Administrative Agent to assign the Receivables arising under such Government Contract (other than any Restricted Government Contract), to the Administrative Agent pursuant to the Assignment of Claims Act. The Borrower agrees that promptly upon obtaining knowledge that any of the information provided pursuant to the first sentence of subsection 6.13(b) has changed, it shall give written notice of such change to the Administrative Agent. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent may, and shall at the direction of the Required Lenders, transmit any such notice of assignment received by it from the Borrower and its Subsidiaries to the U.S. Government.

(c) The Borrower and its Subsidiaries shall apply for and maintain all material facility security clearances and personnel security

clearances required of the Borrower under all Requirements of Law to perform and deliver under any and all Government Contracts and as otherwise may be necessary to continue to perform the business of the Borrower and its Subsidiaries.

6.14 Maintenance of Collateral; Alterations. Refrain from committing any waste on any Collateral, except in the ordinary course of its business, or make any material change in the use of any Collateral, provided that any Credit Party may sell or lease to any other Person all or any portion of any item of Collateral that the Borrower has determined in good faith is not used or useful in such Credit Party's operating business. Each Credit Party granting a security interest in Collateral constituting real property represents and warrants that, to the best of its knowledge: (a) such Collateral is served by all utilities required or necessary for the current use thereof; (b) all streets (or public rights-of-way) necessary to serve such Collateral are completed and serviceable and have been dedicated and accepted as such by the appropriate governmental entities or such Collateral is served by insurable easements (or rights-of-way) for ingress and egress to and from such streets (or rights-of-way); and (c) such Credit Party has access to such Collateral from public roads (or rights-of-way), either directly or by insurable easements (or rights-of-way), sufficient to allow such Credit Parties to conduct its business at such Collateral in accordance with sound commercial and industrial practices. The Credit Parties shall, at all times, maintain all non-possessory collateral and all real estate collateral that is materially useful or necessary in their respective businesses, in good operating order, condition and repair, ordinary wear and tear and damage by fire and/or other casualty or taking by condemnation excepted, and in accordance with all applicable laws, rules and regulations, (including, without limitation, Environmental Laws) the failure to comply with which would have a material adverse effect on the value or usefulness of such Collateral, except where the necessity of compliance therewith is contested in good faith by appropriate proceedings. Each Credit Party shall do what is deemed commercially reasonable to maintain and preserve the value of the Collateral.

6.15 Arrangements with the Seller.

(a) As promptly as practicable, but in any event within 90 days following the Closing Date, the Borrower shall have delivered to the Administrative Agent the Supply Agreement, the License Agreement and the Interim Services Agreement (each as defined in the Transaction Agreement) executed and delivered by the Seller and the Borrower which shall be reasonably satisfactory in form and substance to the Agents; and

(b) As promptly as practicable, but in any event within 120 days following the Closing Date, the Borrower shall have delivered to the Administrative Agent the executed consents of the lessors of the real property leased by the Seller (which leaseholds constitute Transferred Assets (as defined in the Transaction Agreement)) to the transfer of such leaseholds to the Borrower, which consents shall be reasonably satisfactory in form and substance to the Agents.

SECTION 7. NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as any portion of the Commitments remain in effect or any amount is owing to any Lender or any of the Agents hereunder or under any other Credit Document, the Borrower shall not, and (except with respect to subsection 7.1), shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 Financial Condition Covenants.

(a) Debt Ratio. Permit the Debt Ratio at the last day of any fiscal quarter to be greater than the ratio set forth below opposite the fiscal quarter during which such fiscal quarter occurs:

Fiscal Quarter Ending	Ratio
September 30, 1997	5.75
December 31, 1997	5.50
March 31, 1998	5.50
June 30, 1998	5.50
September 30, 1998	5.25
December 31, 1998	5.25
March 31, 1999	5.25
June 30, 1999	5.25
September 30, 1999	4.75
December 31, 1999	4.75
March 31, 2000	4.75
June 30, 2000	4.75
September 30, 2000	4.25
December 31, 2000	4.25
March 31, 2001	4.25
June 30, 2001	4.25
September 30, 2001	3.60
December 31, 2001	3.60
March 31, 2002	3.60
June 30, 2002	3.60
September 30, 2002	3.10
December 31, 2002	3.10
March 31, 2003	3.10
June 30, 2003	3.10
September 30, 2003	3.10
December 31, 2003	3.10
March 31, 2004	3.10
June 30, 2004	3.10
September 30, 2004	3.10
December 31, 2004	3.10
March 31, 2005	3.10
June 30, 2005	3.10

September 30, 2005	3.10
December 31, 2005	3.10
and thereafter	

(b) Interest Coverage. Permit the ratio of (i) Consolidated EBITDA to (ii) Consolidated Cash Interest Expense during any Test Period to be less than the ratio set forth opposite such period below (such ratio, the "Interest Coverage Ratio"):

Test Period	Interest Coverage Ratio
7/1/97 - 9/30/97	1.50
10/1/97 - 12/31/97	1.85
1/1/98 - 3/31/98	1.85
4/1/98 - 6/30/98	1.85
7/1/98 - 9/30/98	1.90
10/1/98 - 12/31/98	1.90
1/1/99 - 3/31/99	1.90
4/1/99 - 6/30/99	1.90
7/1/99 - 9/30/99	2.15
10/1/99 - 12/31/99	2.15
1/1/00 - 3/31/00	2.15
4/1/00 - 6/30/00	2.15
7/1/00 - 9/30/00	2.35
10/1/00 - 12/31/00	2.35
1/1/01 - 3/31/01	2.35
4/1/01 - 6/30/01	2.35
7/1/01 - 9/30/01	2.75
10/1/01 - 12/31/01	2.75
1/1/02 - 3/31/02	2.75
4/1/02 - 6/30/02	2.75
7/1/02 - 9/30/02	3.10
10/1/02 - and thereafter	3.10

7.2 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness (including in respect of Interest Rate Agreements, except:

(a) Indebtedness of the Borrower under this Agreement;

(b) Indebtedness of the Borrower incurred to finance the acquisition of fixed or capital assets (whether pursuant to a loan, a Financing Lease or otherwise) in an aggregate principal amount not exceeding $15,000,000 at any time outstanding;

(c) Indebtedness of a corporation which becomes a Subsidiary after the date hereof, provided that (i) such indebtedness existed at the time such corporation became a Subsidiary and was not created in anticipation thereof and (ii) immediately after giving

effect to the acquisition of such corporation by the Borrower no Default or Event of Default shall have occurred and be continuing;

(d) additional Indebtedness of the Borrower not exceeding $15,000,000 in aggregate principal amount at any one time outstanding;

(e) Indebtedness of the Borrower in respect of not more than $225,000,000 principal amount of Subordinated Debt issued on the Closing Date;

(f) the Indebtedness of the Borrower and its Subsidiaries outstanding on the Closing Date and reflected on Schedule 7.2(f), and refundings or refinancings thereof, provided that no such refunding or refinancing shall shorten the maturity or increase the principal amount of the original Indebtedness;

(g) Indebtedness in respect of the Interest Rate Agreements required by subsection 6.11;

(h) Guarantee Obligations permitted by subsection 7.4;

(i) the incurrence by any Credit Party of intercompany Indebtedness between or among the Credit Parties; provided, however, that if the Borrower is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all Obligations;

(j) Indebtedness secured by Permitted Liens;

(k) Up to $25,000,000 of purchase money Indebtedness the proceeds of which are utilized to acquire the real property (including improvements thereon) and related assets currently utilized by the Wide Band Systems division in Salt Lake City, Utah, on terms reasonably satisfactory to the Lenders.

7.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation and deposits securing liability to insurance carriers under insurance or self-insurance arrangements;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, zoning restrictions, other restrictions and other similar encumbrances previously or hereafter incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or such Subsidiary, or which are set forth in title insurance policies or commitments delivered to Administrative Agent pursuant to the terms of this Agreement;

(f) Liens in existence on the date hereof listed on Schedule 7.3(f), securing Indebtedness permitted by subsection 7.2(f), provided that no such Lien is expanded to cover any additional property (other than after-acquired title in or on such property and proceeds of the existing collateral in accordance with the instrument creating such Lien) after the Closing Date and that the amount of Indebtedness secured thereby is not increased and extensions, renewals or replacements thereof provided that no such extension, renewal or replacement shall shorten the fixed maturity or increase the principal amount of the original Indebtedness; and provided, further, that the assets of the Borrower and its Subsidiaries encumbered by such Liens are existing equipment and other existing tangible assets;

(g) Liens securing Indebtedness of the Borrower and its Subsidiaries permitted by subsection 7.2(b) and subsection 7.2(k) incurred to finance the acquisition of fixed or capital assets, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness (other than after acquired title in or on such property and proceeds of the existing collateral in accordance with the instrument creating such Lien) and (iii) the principal amount of Indebtedness secured by any such Lien shall at no time exceed 100% of the original purchase price of such property of such property at the time it was acquired;

(h) Liens on the property or assets of a corporation which becomes a Subsidiary after the date hereof securing Indebtedness permitted by subsection 7.2(c), provided that (i) such Liens existed at the time such corporation became a Subsidiary and were not created in anticipation thereof, (ii) any such Lien is not expanded to cover any property or assets of such corporation after the time such corporation becomes a Subsidiary (other than after acquired title in or on such property and proceeds of the existing collateral in accordance with the instrument creating such Lien), and (iii) the amount of Indebtedness secured thereby is not increased;

(i) Liens (not otherwise permitted hereunder) which secure obligations not exceeding (as to the Borrower and all Subsidiaries) $2,500,000 in aggregate amount at any time outstanding;

(j) Liens created pursuant to the Security Documents;

(k) Liens on the property of the Borrower or any of its Subsidiaries in favor of landlords securing licenses, subleases or leases entered into in the ordinary course of business;

(l) licenses, leases or subleases permitted hereunder granted to other Persons not interfering in any material respect in the business of the Borrower or any of its Subsidiaries;

(m) so long as no Default or Event of Default shall have occurred and be continuing under subsection 8(h), attachment or judgment Liens in an aggregate amount outstanding at any one time not in excess of $7,500,000;

(n) Liens arising from precautionary Uniform Commercial Code financing statement filings with respect to operating leases or consignment arrangements entered into by the Borrower, or any of its subsidiaries in the ordinary course of business; and

(o) Liens in favor of a banking institution arising by operation of law encumbering deposits (including the right of set-off) held by such banking institutions incurred in the ordinary course of business and which are within the general parameters customary in the banking industry.

7.4 Limitation on Guarantee Obligations. Create, incur, assume or suffer to exist any Guarantee Obligation except:

(a) Guarantee Obligations in existence on the date hereof and listed on Schedule 7.4 and extensions, renewals and replacements thereof, provided, however, that no such extension, renewal or replacement shall shorten the fixed maturity or increase the principal amount of the Indebtedness guaranteed by the original guarantee;

(b) Guarantee Obligations incurred after the date hereof in an aggregate amount not to exceed $15,000,000 at any one time outstanding for the Borrower and its Subsidiaries;

(c) guarantees made by the Subsidiaries of the Borrower pursuant to the Subordinated Debt Documents;

(d) Guarantee Obligations under the Credit Documents;

(e) the L/C Obligations;

(f) Guarantee Obligations of the Borrower or any Subsidiary in respect of obligations of a Subsidiary permitted to be incurred by such Subsidiary by this Agreement;

(g) Guarantee Obligations in respect of surety bonds which shall not exceed $10,000,000 at any time;

(h) indemnities in favor of the companies issuing title insurance policies insuring the Mortgages to induce such issuance; and

(i) indemnities made in the Commitment Letter, the Credit Documents and the Transaction Documents and in the Constitutional Documents of the Borrower and its Subsidiaries.

7.5 Limitation on Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of, all or substantially all of its property, business or assets, or make any material change in its present method of conducting business, except:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any one or more wholly owned Subsidiaries of the Borrower (provided that the wholly owned Subsidiary or Subsidiaries shall be the continuing or surviving corporations);

(b) any wholly owned Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any other wholly owned Subsidiary of the Borrower that is a Credit Party; and

(c) the Asset Contribution.

7.6 Limitation on Sale of Assets. Convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person other than the Borrower or any wholly owned Subsidiary, except:

(a) the sale or other disposition of obsolete or worn out property in the ordinary course of business;

(b) the sale of any property or assets not otherwise permitted by this Section 7.6; provided that the Net Proceeds thereof shall be applied pursuant to subsection 2.6(b)(ii); provided, further, that (i) the aggregate amount of proceeds of all such Asset Sales does not exceed (x) $20,000,000 in fiscal year 1997 or (y) $30,000,000 since the date of this Agreement and (ii) the aggregate amount of non-cash consideration received from such Asset Sales under shall not exceed $5,000,000 since the date of this Agreement;

(c) as permitted pursuant to subsection 7.5(b);

(d) the sale, lease, transfer or exchange of inventory in the ordinary course of business;

(e) subject to subsection 6.5, transfers resulting from any casualty or condemnation of property or assets;

(f) intercompany sales or transfers of assets made in the ordinary course of business;

(g) licenses, leases or subleases of tangible property in the ordinary course of business;

(h) any consignment arrangements or similar arrangements for the sale of assets in the ordinary course of business;

(i) the sale or discount of overdue accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof; and

(j) (i) the sale of the real property used by the Borrower's Aviation Recorder Division on the date hereof (including all improvements thereto) in Sarasota, Florida, solely for cash proceeds of at least $7,500,000 and (ii) the sale of all or substantially all of the assets of the Borrower's Hycor Division (as constituted on the date hereof) solely for cash proceeds of at least $5,000,000, provided that (x) the first $20,000,000 of the proceeds of such sales are applied pursuant to subsection 2.6(b)(ii) and (y) to the extent the aggregate proceeds of asset sales permitted by this clause (j) exceed $20,000,000, the Borrower shall utilize such excess proceeds for the prepayment of Loans and the reduction of Commitments pursuant to subsection 2.6(b)(ii) (without giving effect to the proviso thereto).

7.7 Limitation on Dividends. Declare or pay any dividend (other than dividends payable solely in common stock of the Borrower) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any shares of any class of Capital Stock of the Borrower or any warrants or options to purchase any such Capital Stock, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any Subsidiary other than Permitted Stock Payments.

7.8 Limitation on Capital Expenditures. Make or commit to make (by way of the acquisition of securities of a Person or otherwise) any expenditure in respect of the purchase or other acquisition of fixed or capital assets (excluding any such asset acquired in connection with normal replacement and maintenance programs properly charged to current operations) except for capital expenditures in the ordinary course of business not exceeding, in the aggregate for the Borrower and its Subsidiaries during any of the fiscal years of the Borrower set forth below, the amount set forth opposite such fiscal year below:

Fiscal Year	Amount
1997	$18,500,000
1998	27,500,000
1999	27,500,000
2000	30,000,000
2001	32,500,000
2002	32,500,000
2003	35,000,000

2004	37,500,000
2005 and thereafter	40,000,000;

provided, that up to 25% of any such amount not so expended in the fiscal year for which it is permitted above may be carried over for expenditure in the next following fiscal year.

7.9 Limitation on Investments, Loans and Advances. Make any advance, loan, extension of credit or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities of or any assets constituting a business unit of, or make any other investment in, any Person ("Investments"), except :

(a) extensions of trade credit in the ordinary course of business;

(b) investments in Cash Equivalents;

(c) loans to officers of the Borrower listed on Schedule 7.9(c) in aggregate principal amounts outstanding not to exceed the respective amounts set forth for such officers on said Schedule;

(d) loans and advances to employees of the Borrower or its Subsidiaries for travel, entertainment and relocation expenses in the ordinary course of business in an aggregate amount for the Borrower and its Subsidiaries not to exceed $1,000,000 at any one time outstanding;

(e) investments by the Borrower in its Subsidiaries that are Credit Parties and investments by such Subsidiaries in the Borrower and in other Subsidiaries that are Credit Parties;

(f) so long as no Event of Default has occurred and is continuing, loans by the Borrower to its employees (other than any Principals or their Related Parties) in connection with (i) management incentive plans and (ii) management stock purchase plans, in an aggregate amount not to exceed $3,000,000;

(g) Investments in existence on the Closing Date set forth on Schedule 7.9(g) and extensions, renewals, modifications or restatements or replacements thereof; provided that no such extension, renewal, modification or restatement shall increase the amount of the original loan, advance or investment;

(h) promissory notes and other similar non-cash consideration received by the Borrower and its Subsidiaries in connection with the dispositions permitted by subsection 7.6(b);

(i) Investments required by subsection 6.11 and Investments permitted by subsection 7.6(b) and subsection 7.6(j);

(j) Investments (including debt obligations and Capital Stock) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business; and

(k) so long as no Event of Default has occurred and is continuing, in addition to the foregoing, Investments in an aggregate amount not exceeding $15,000,000 (at cost, without regard to any write down or write up thereof) at any one time outstanding.

7.10 Limitation on Optional Payments and Modifications of Instruments and Agreements. (a) Make any optional payment or prepayment on or redemption or purchase of, or deliver any funds to any trustee for the prepayment, redemption or defeasance of, any Subordinated Debt or (b) amend, modify or change, or consent or agree to any amendment, modification or change to any of the material terms of any such Subordinated Debt Documents (other than any such amendment, modification or change which would extend the maturity or reduce the amount of any payment of principal thereof or which would reduce the rate or extend the date for payment of interest thereon).

(b) Amend its Constitutional Documents in any manner which could adversely affect the rights of the Lenders under the Credit Documents or their ability to enforce the same.

(c) Modify or amend, or waive any provision or condition contained in, any of the Transaction Documents in any manner that could reasonably be expected to be adverse to the Lenders.

7.11 Limitation on Transactions with Affiliates. (a) Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate unless such transaction is (i) otherwise permitted under this Agreement, (ii) in the ordinary course of the Borrower's or such Subsidiary's business and (iii) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate.

(b) In addition, notwithstanding the foregoing, the Borrower and its Subsidiaries shall be entitled to make the following payments and/or to enter into the following transactions:

(i) the payment of reasonable and customary fees and reimbursement of expenses payable to directors of the Borrower;

(ii) the employment arrangements with respect to the procurement of services of directors, officers and employees in the ordinary course of business and the payment of reasonable fees in connection therewith;

(iii) payments to directors and officers of the Borrower and its Subsidiaries in respect of the indemnification of such Persons in such respective capacities from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, as the case may be, pursuant to the Constitutional Documents or other corporate action of the Borrower or its Subsidiaries, respectively, or pursuant to applicable law; and

(iv) transactions described in the Transaction Documents.

7.12 Limitation on Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by the Borrower or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Borrower or such Subsidiary; provided that the Borrower may enter into a sale and leaseback transaction if the Borrower could have (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction and (b) incurred a Lien to secure such Indebtedness, in each case in accordance with the restrictions contained in this Agreement and the other Credit Documents.

7.13 Limitation on Changes in Fiscal Year. Permit the fiscal year of the Borrower to end on a day other than December 31.

7.14 Limitation on Negative Pledge Clauses. Enter into with any Person any agreement, other than (a) this Agreement, (b) the Subordinated Debt Documents and (c) any industrial revenue bonds, purchase money mortgages or Financing Leases permitted by this Agreement (in which cases, any prohibition or limitation shall only be effective against the assets financed thereby other than after acquired title in or on such property and proceeds of the existing collateral in accordance with the instrument creating such Lien), which prohibits or limits the ability of the Borrower or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired.

7.15 Limitation on Lines of Business. Enter into any business, either directly or through any Subsidiary, except for Similar Businesses.

7.16 Designated Senior Debt. Designate any Indebtedness or other obligation, other than Indebtedness under the Credit Documents, as "Designated Senior Debt," as such term is defined in the Indenture as in effect on the Closing Date, or any comparable designation that confers upon the holders of such Indebtedness or other obligation (or any Person acting on their behalf) the right to initiate blockage periods under the Indenture or any other Indebtedness or other obligation of the Borrower and its Subsidiaries(other than as a result of a payment default).

SECTION 8. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan or any Reimbursement Obligation when due in accordance with the terms thereof or hereof; or the Borrower shall fail to pay any interest on any Loan, or any other amount payable hereunder, within five days after any such interest or other amount becomes due in accordance with the terms thereof or hereof; or

(b) Any representation or warranty made or deemed made by the Borrower or any other Credit Party herein or in any other Credit Document or which is contained in any certificate, document or

financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Credit Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) The Borrower or any other Credit Party shall default in the observance or performance of any agreement contained in Section 7 or subsection 6.5(a) of this Agreement, Section 4 of the Parent Guarantee, Section 4 of the Subsidiary Guarantee, Section 4 of the Parent Pledge and Security Agreement, Section 4 of the Borrower Pledge and Security Agreement, or Section 4 of the Subsidiary Pledge and Security Agreement; or

(d) The Borrower or any other Credit Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Credit Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days; or

(e) The Borrower or any of its Subsidiaries shall (i) default (x) in any payment of principal of or interest of any Indebtedness (other than the Loans, the L/C Obligations and any intercompany debt) or Interest Rate Agreement Obligations or (y) in the payment of any Guarantee Obligation (excluding any guaranties of the Obligations), beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness, Interest Rate Agreement Obligation or Guarantee Obligation was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness, Interest Rate Agreement Obligation or Guarantee Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Guarantee Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or such Guarantee Obligation to become payable; provided, however, that no Default or Event of Default shall exist under this paragraph unless (i) the aggregate amount of Indebtedness, Interest Rate Agreement Obligations and/or Guarantee Obligations in respect of which any default or other event or condition referred to in this paragraph shall have occurred shall be equal to at least $7,500,000 and (ii) such default continues for a period in excess of 10 days; or

(f) (i) Holdings, the Borrower or any of its Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or Holdings, the Borrower or any of

its Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Holdings, the Borrower or any of its Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Holdings, Borrower or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) Holdings, the Borrower or any of its Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Holdings, the Borrower or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, reasonably likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other similar event or condition shall occur or exist with respect to a Plan that is not in the ordinary course; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could reasonably be expected to have a Material Adverse Effect; or

(h) One or more judgments or decrees shall be entered against Holdings, the Borrower or any of its Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance (which coverage has been acknowledged by the appropriate insurers)) of $7,500,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or

(i) (i) Any of the Security Documents shall cease, for any reason, to be in full force and effect (unless released by the Administrative Agent at the direction of the requisite Lenders or as otherwise permitted under this Agreement or the other Credit Documents), or the Borrower or any other Credit Party which is a

party to any of the Security Documents shall so assert or (ii) the Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby (and, if such invalidity is such so as to be amenable to cure without materially disadvantaging the position of the Administrative Agent and the Lenders, as the case may be, as secured parties thereunder, the Credit Party shall have failed to cure such invalidity within 30 days after notice from the Administrative Agent); or

(j) the Guarantee Obligation of any Credit Party under the Credit Documents shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Credit Party or any Person acting on behalf of any Credit Party, shall deny or disaffirm its obligations under such Guarantee Obligation;

(k) There shall have occurred a Change in Control; or

(l) either (i) the novation of any Government Contract existing on the date of this Agreement shall not be complete and effective prior to October 31, 1998 if such failures, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (ii) the consent to assignment of claims under any Government Contract (other than any Restricted Government Contract) existing on the date of this Agreement to the Administrative Agent on behalf of the Lenders shall not have been obtained prior to October 31, 1998 if such failures, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, or (iii) the Governmental Authority authorized to approve any such novation or consent to any such assignment requires a condition to the effectiveness to any such novation or consent which, if agreed to by the Company, could reasonably be expected to have a Material Adverse Effect;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) of this Section above with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) and the Notes shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice of default to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement (including, without limitation, all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) and the Notes to be due and payable forthwith, whereupon the same shall immediately become due and payable.

With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. The Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Lender and the L/C Participants, a security interest in such cash collateral to secure all obligations of the Borrower under this Agreement and the other Credit Documents. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the Notes. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the Notes shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower. The Borrower shall execute and deliver to the Administrative Agent, for the account of the Issuing Lender and the L/C Participants, such further documents and instruments as the Administrative Agent may request to evidence the creation and perfection of the within security interest in such cash collateral account.

EXCEPT AS EXPRESSLY PROVIDED ABOVE IN THIS SECTION, PRESENTMENT, DEMAND, PROTEST AND ALL OTHER NOTICES OF ANY KIND ARE HEREBY EXPRESSLY WAIVED.

SECTION 9. THE AGENTS; THE ARRANGER

9.1 Appointment. Each Lender hereby irrevocably designates and appoints each of the Agents as the agent of such Lender under this Agreement and the other Credit Documents, and each such Lender irrevocably authorizes each of the Agents, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Credit Documents and to exercise such powers and perform such duties as are expressly delegated to such Agent by the terms of this Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, none of the Agents shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Credit Document or otherwise exist against any of the Agents.

9.2 Delegation of Duties. The Agents may execute any of their duties under this Agreement and the other Credit Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. None of the Agents shall be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

9.3 Exculpatory Provisions. Neither any of the Agents nor any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any

other Credit Document (except for its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in this Agreement or any other Credit Document or in any certificate, report, statement or other document referred to or provided for in, or received by such Agent under or in connection with, this Agreement or any other Credit Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Credit Document or for any failure of the Borrower to perform its obligations hereunder or thereunder. None of the Agents shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Credit Document, or to inspect the properties, books or records of the Borrower.

9.4 Reliance by Agents. The Agents shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by such Agent. The Agents may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with such Agent. Except as expressly provided in this Agreement, the Agents shall be fully justified in failing or refusing to take any action under this Agreement or any other Credit Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agents shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Credit Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5 Notice of Default. No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless such Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that any Agent receives such a notice, such Agent shall give notice thereof to the Lenders. Each Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided that unless and until such Agent shall have received such directions, such Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither any of the Agents nor any of their officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by any of the Agents hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by any of the

Agents to any Lender. Each Lender represents to each of the Agents that it has, independently and without reliance upon any of the Agents or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and credit worthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any of the Agents or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Credit Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and credit worthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by any of the Agents hereunder (or copies of which have been provided to the Administrative Agent pursuant to this Agreement), none of the Agents shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or credit worthiness of the Borrower which may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

9.7 Indemnification. The Lenders agree to indemnify each of the Agents in their respective capacities as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Commitment Percentages with respect to all Types of Loans in effect on the date on which indemnification is sought, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Loans) be imposed on, incurred by or asserted against any of the Agents in any way relating to or arising out of, the Commitments, this Agreement, any of the other Credit Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by any of the Agents under or in connection with any of the foregoing provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from such Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Loans and all other amounts payable hereunder.

9.8 Agents, in Their Individual Capacities. The Agents and their respective Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Agents were not acting in such capacities hereunder and under the other Credit Documents. With respect to the Loans made or renewed by it and any Note issued to it and with respect to any Letter of Credit issued or participated in by it, each Agent shall have the same rights and powers under this Agreement and the other Credit Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include the Agents in their individual capacities.

9.9 Successor Administrative Agent, Syndication Agents and Documentation Agent. The Administrative Agent, the Syndication Agent or the

Documentation Agent may resign as Administrative Agent, Syndication Agent or Documentation Agent, as the case may be, upon 30 days' notice to the Lenders. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Credit Documents or if Syndication Agent or the Documentation Agent shall resign as Syndication Agent or Documentation Agent under this Agreement and the other Credit Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent (provided that it shall have been approved by the Borrower, which approval shall not be unreasonably withheld), shall succeed to the rights, powers and duties of the Administrative Agent or a Syndication Agent or the Documentation Agent, as the case may be, hereunder. Effective upon such appointment and approval, the term "Administrative Agent" or a "Syndication Agent" or "Documentation Agent," as the case may be, shall mean or include such successor agent, and the former Administrative Agent's or Syndication Agent's or Documentation Agent's, as the case may be, rights, powers and duties as Administrative Agent or Syndication Agent or Documentation Agent, as the case may be, shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or Syndication Agent or Documentation Agent, as the case may be, or any of the parties to this Agreement or any holders of the Loans. After any retiring Administrative Agent's or Syndication Agent's or Documentation Agent's resignation as Administrative Agent or Syndication Agent or Documentation Agent, as the case may be, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent or Syndication Agent or Documentation Agent, as the case may be, under this Agreement and the other Credit Documents.

9.10 The Arranger. Except as expressly set forth herein, the Arranger, in its capacity as such, shall have no duties or responsibilities, and shall incur no liabilities, under this Agreement or the other Credit Documents.

SECTION 10. MISCELLANEOUS

10.1 Amendments and Waivers. Neither this Agreement nor any other Credit Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this subsection. The Required Lenders may, or, with the written consent of the Required Lenders, the Administrative Agent may, from time to time, (a) enter into with the Borrower written amendments, supplements or modifications hereto and to the other Credit Documents for the purpose of adding any provisions to this Agreement or the other Credit Documents or changing in any manner the rights of the Lenders or of the Borrower hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Credit Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) reduce the amount or extend any scheduled date of maturity of any Loan, extend the expiration of any Letter of Credit beyond the Revolving Credit Termination Date, or reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof, in each case without the consent of each Lender affected thereby, or increase the commitment of any Lender or extend the expiry of the commitment of any Lender without the consent of such Lender, or (ii) amend, modify or waive any

provision of this subsection or reduce the percentage specified in the definition of Required Lenders or Requisite Class Lenders, or consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Credit Documents, in each case without the written consent of all the Lenders, or (iii) release all or substantially all of the Collateral or release all or substantially all of the Credit Parties from their Guarantee Obligations under the Credit Document without the consent of all Lenders, or (iv) amend, modify or waive any provision of Section 9 without the written consent of the then Agents, (v) amend, modify or waive any provision of subsection 2.1(b), any other provision of this Agreement relating to the Swing Line Loans or the Swing Line Note without the written consent of the Swing Line Lender, or (vi) amend, modify or waive any provision of this Agreement or any other Credit Document which would directly and adversely affect the Arrangers or the Agents or the Issuing Lender or the Swing Line Lender without the written consent of the Arranger, the Agents or the Issuing Lender or the Swing Line Lender, as the case may be. In addition to the foregoing, no amendment, modification, termination or waiver of any provision of subsection 2.5 or subsection 2.6 which has the effect of changing any interim scheduled payments, voluntary or mandatory prepayments (or the applications thereof) or Commitment reductions applicable to any Class (an "Affected Class") in a manner that disproportionately disadvantages such Class relative to the other Class shall be effective without the written concurrence of the Requisite Class Lenders of the Affected Class (it being understood and agreed that any amendment, modification, termination or waiver of any provision which only postpones or reduces any interim scheduled payment, voluntary or mandatory prepayment or Commitment reduction from those set forth in subsection 2.6 with respect to only one Class shall be deemed to not disproportionately disadvantage the other Class and, therefore, shall not require the consent of Requisite Class Lenders of such other Class). Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Agents and the Issuing Lender and all future holders of the Loans. Any extension of a Letter of Credit by the Issuing Lender shall be treated hereunder as issuance of a new Letter of Credit. In the case of any waiver, the Borrower, the Lenders and the Agents and the Issuing Lender shall be restored to their former positions and rights hereunder and under the other Credit Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

10.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile transmission) and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made (a) in the case of delivery by hand, when delivered, (b) in the case of delivery by mail, three days after being deposited in the mails, postage prepaid, or (c) in the case of delivery by facsimile transmission, when sent and receipt has been confirmed, addressed as follows in the case of the Borrower, the Administrative Agent, the Syndication Agent and the Documentation Agent, and as set forth in Schedule I in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto:

The Borrower or any of its Subsidiaries:	L-3 Communications Corporation 600 Third Avenue, 34th Floor New York, NY 10016

Attention: Robert LaPenta
Fax: (212) 805-5470

Simpson Thacher & Bartlett
425 Lexington Avenue, 14th Floor
New York, NY 10017-3954

Attention: Marissa C. Wesely, Esq.
Fax: (212) 455-2502

The Administrative Agent: Bank of America NT & SA
335 Madison Avenue
New York, NY 10017

Attention: Linda Carper
Fax: (212) 503-7502

The Documentation Agent: Lehman Commercial Paper Inc.
3 World Financial Center, 9th Floor
New York, New York 10285

Attention: Michelle Swanson
Fax: (212) 528-0819

The Syndication Agent: Lehman Commercial Paper Inc.
3 World Financial Center, 9th Floor
New York, New York 10285

Attention: Michelle Swanson
Fax: (212) 528-0819

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders pursuant to subsection 2.2, 2.4, 2.6, 2.7, 2.12 or 3.2 shall not be effective until received.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of any Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Credit Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Credit Documents and in any document, certificate or statement delivered pursuant hereto or in

connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans hereunder.

10.5 Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse each of the Agents for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Credit Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees, charges and disbursements of a single counsel for the Lenders (in addition to any local counsel), (b) to pay or reimburse each Lender and each Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Credit Documents and any such other documents, including, without limitation, the fees and disbursements of counsel to each Lender and of counsel to any Agent, (c) to pay, indemnify, and hold each Lender and each Agent and each Issuing Lender harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other similar taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Credit Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and each Arranger, each Agent and each Issuing Lender harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement or the other Credit Documents or the use of the proceeds of the Loans in connection with the Transaction, including, without limitation, any of the foregoing relating to the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of the Borrower, any of its Subsidiaries or any of the Properties (all the foregoing in this clause (d), collectively, the "indemnified liabilities"), it being understood that the Borrower shall have an obligation hereunder to the Lender or any Agent with respect to any indemnified liabilities incurred by any Agents, Arranger or the Issuing Lender or any Lender as a result of any Materials of Environmental Concern that are first manufactured, emitted, generated, treated, released, spilled, stored or disposed of on, at or from any Property or any violation of any Environmental Law, which in any case first occurs on or with respect to such Property (i) after the Property is transferred to any Agent, Arranger, Issuing Lender or any Lender or their successors or assigns by foreclosure sale, deed in lieu of foreclosure, or similar transfer or, following such transfer, (ii) in connection with, but prior to, the sale, leasing or other transfer of such Property by such Agent, Arranger, Issuing Lender, or any Lender or their successors or assigns to one or more third parties; provided, however, that the Borrower shall have no obligation hereunder to any Agent or the Issuing Lender or any Lender with respect to otherwise indemnified liabilities arising from the gross negligence or willful misconduct of such Agent or the Issuing Lender or any such Lender, or with respect to otherwise indemnified liabilities following the sale, leasing or other transfer of such Property to one or more third parties. The agreements in this subsection shall survive repayment of the Loans and all other amounts payable hereunder.

10.6 Successors and Assigns; Participation and Assignments. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Agents and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender or any other interest of such Lender hereunder and under the other Credit Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Credit Documents, and the Borrower and the Agents shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Credit Documents. No Lender shall be entitled to create in favor of any Participant, in the participation agreement pursuant to which such Participant's participating interest shall be created or otherwise, any right to vote on, consent to or approve any matter relating to this Agreement or any other Credit Document except for those specified in clauses (i) and (ii) of the proviso to subsection 10.1. The Borrower agrees that if amounts outstanding under this Agreement are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; provided that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in subsection 10.7(a) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.14, 2.15 and 2.16 with respect to its participation in the Letters of Credit, the Commitments and the Loans outstanding from time to time as if it was a Lender; provided that in the case of subsection 2.15, such Participant shall have complied with the requirements of said Section; provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such subsection than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time and from time to time assign to any Lender, any affiliate thereof or, in the case of Lender that is an investment fund which is regularly engaged in making, purchasing or investing in loans or securities, any other such fund which is under common management with such Lender, or, with the consent of the Borrower and the Agents (which in each case shall not be unreasonably withheld), to an additional bank, fund which is regularly engaged in making, purchasing or investing in loans or securities, or financial institution (an "Assignee") all or any part of its rights and obligations under this Agreement and the other Credit Documents pursuant to an Assignment and Acceptance, substantially in the form of Exhibit G, executed by such Assignee, such

assigning Lender (and, in the case of an Assignee that is not then a Lender or an affiliate thereof, by the Borrower and the Agents) and delivered to the Administrative Agent for its acceptance and recording in the Register with a copy to the Syndication Agent, provided that, in the case of any such assignment to an additional bank or financial institution, (A) either (x) such assignment is of all the rights and obligations of the assigning Lender or (y) the sum of the aggregate principal amount of the Loans, the aggregate amount of the L/C Obligations and the aggregate amount of the unused Commitments being assigned and, if such assignment is of less than all of the rights and obligations of the assigning Lender, the sum of the aggregate principal amount of the Loans, the aggregate amount of the L/C Obligations and the aggregate amount of the unused Commitments remaining with the assigning Lender are each not less than $5,000,000 (or such lesser amount as may be agreed to by the Borrower and the Agents) and (B) each Assignee which is a Non-U.S. Lender shall comply with the provisions of clause (A) of subsection 2.15(b) hereof, or, with the prior written consent of the Borrower, which shall not be unreasonably withheld, the provisions of clause (B) of subsection 2.15(b) hereof (and, in either case, with all of the other provisions of subsection 2.15(b) hereof). Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Commitment as set forth therein and (y) the assigning Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto). Notwithstanding any provision of this paragraph (c) and paragraph (f) of this subsection, the consent of the Borrower shall not be required for any assignment which occurs at any time when any of the events described in Section 8(f) shall have occurred and be continuing.

(d) The Administrative Agent, on behalf of the Borrower, shall maintain at the address of the Administrative Agent referred to in subsection 10.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and Commitments of and principal amounts of the Loans of each Type owing to, each Lender from time to time and the registered owners of the Obligations evidenced by the Notes. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of a Loan, a Note or other Obligation hereunder as the owner thereof for all purposes of this Agreement and the other Credit Documents, notwithstanding any notice to the contrary. Any assignment of any Loan or other obligation evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. Any assignment or transfer of all or part of an Obligation evidenced by a Note shall be registered in the Register only upon surrender for registration of assignment or transfer of the Note evidencing such Obligation, duly endorsed by (or accompanied by a written instrument of assignment or transfer duly executed by) the holder thereof, and thereupon one or more new Notes shall be issued to the designated Assignee and the old Note shall be returned by the Administrative Agent to the Borrower marked "cancelled."

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee (and, in the case of an Assignee that is not then a Lender or an affiliate thereof, by the Borrower and the Agents) together with payment to the Administrative Agent of a registration and processing fee of $3,000 (provided that no such payment shall be required whenever LCPI or BOA is the assigning Lender), the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders and the Borrower.

(f) The Borrower authorizes each Lender to disclose to any Participant or Assignee (each, a "Transferee") and any prospective Transferee, subject to the provisions of subsection 10.15, any and all financial information in such Lender's possession concerning the Borrower and its Affiliates which has been delivered to such Lender by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Borrower in connection with such Lender's credit evaluation of the Borrower and its Affiliates prior to becoming a party to this Agreement.

(g) If, pursuant to this subsection 10.6, any interest in this Agreement or any Loan is transferred to any Transferee which would be a Non-U.S. Lender upon the effectiveness of such transfer, the assigning Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the assigning Lender (for the benefit of the assigning Lender, the Administrative Agent and the Borrower) that under applicable law and treaties no U.S. Taxes will be required to be withheld by the Administrative Agent, the Borrower or the assigning Lender with respect to any payments to be made to such Transferee in respect of the Loans, (ii) to furnish to the assigning Lender (and, in the case of any Assignee registered in the Register, the Administrative Agent and the Borrower such Internal Revenue Service Forms required to be furnished pursuant to subsection 2.15(b) and (iii) to agree (for the benefit of the assigning Lender, the Administrative Agent and the Borrower) to be bound by the provisions of subsection 2.15(b).

(h) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

10.7 Adjustments; Set-off. (a) If any Lender (a "benefitted Lender") shall at any time receive any payment of all or part of its Loans or the Reimbursement Obligations owing to it, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Loans or the Reimbursement Obligations owing to it, or interest thereon, such benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loans or the Reimbursement Obligations owing to it, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Lender to

share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

10.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.9 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 Integration. This Agreement and the other Credit Documents represent the agreement of the Borrower, the Agents and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by any Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Credit Documents.

10.11 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 SUBMISSION TO JURISDICTION; WAIVERS. THE BORROWER HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(a) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS TO WHICH IT IS A PARTY, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(b) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(c) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO THE BORROWER AT ITS ADDRESS SET FORTH IN SUBSECTION 10.2 OR AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO;

(d) AGREES THAT NOTHING HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION; AND

(e) WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO IN THIS SUBSECTION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.

10.13 Acknowledgements. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Credit Documents;

(b) none of the Arrangers, the Agents nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Credit Documents, and the relationship between any of the Agents and the Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Credit Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

10.14 WAIVERS OF JURY TRIAL. THE BORROWER, THE AGENTS, THE ARRANGERS, THE LENDERS AND THE OTHER PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

10.15 Confidentiality. Each Lender agrees to keep confidential all non-public information provided to it by the Borrower pursuant to this Agreement that is designated by the Borrower in writing as confidential; provided that nothing herein shall prevent any Lender from disclosing any such information (i) to any Agent or any other Lender or any of its Affiliates, (ii) to any Transferee or prospective Transferee or to any direct or indirect contractual counterparties in swap agreements or such contractual counterparties' professional advisors which receives such information and agrees to be bound by the confidentiality provisions hereof,

(iii) to its employees, directors, agents, attorneys, accountants and other professional advisors, (iv) upon the request or demand of any Governmental Authority having jurisdiction over such Lender, (v) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (vi) which has been publicly disclosed other than in breach of this Agreement, or (vii) in connection with the exercise of any remedy hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

L-3 Communications Corporation

By:_____
Title:

Lehman Commercial Paper Inc.,
as Documentation Agent, Syndication Agent,
Arranger and as a Lender

By:_____
Title:

Bank of America NT & SA
as Administrative Agent
and as a Lender

By:_____
Title:

CITIBANK, N.A.
as a Lender

By:_____
Title:

CREDIT LYONNAIS, NEW YORK BRANCH
as Co-Agent and as a Lender

By:_____
Title:

FLEET NATIONAL BANK,
as Co-Agent and Lender

By:_____
Name:
Title:

MARINE MIDLAND BANK
as Co-Agent and as a Lender

By:_____
Title:

BANK OF NOVA SCOTIA
as Co-Agent and as a Lender

By:_____
Name:
Title:

BANKBOSTON, N.A.

By:_____
Name:
Title:

THE FIRST NATIONAL BANK OF BOSTON
as Co-Agent and as a Lender

By:_____
Title:

THE FIRST NATIONAL BANK OF CHICAGO
as Co-Agent and as a Lender

By:_____
Title:

THE FUJI BANK, LIMITED NEW YORK BRANCH
as Co-Agent and as a Lender

By:_____
Title:

CANADIAN IMPERIAL BANK OF COMMERCE

By:_____
Name:
Title:

CITIBANK, N.A.
as Co-Agent and as a Lender

By:_____
Title:

THE ING CAPITAL SENIOR SECURED
HIGH INCOME FUND, L.P.
as a Lender

By:_____
Title:

KZH HOLDING CORPORATION II

By:_____
Name:
Title:

MERRILL LYNCH SENIOR FLOATING
RATE FUND, INC., as a Lender

By:_____
Title:

KZH HOLDING CORPORATION

By:_____
Name:
Title:

METROPOLITAN LIFE INSURANCE COMPANY

By:_____
Name:
Title:

OAK HILL SECURITIES FUND, L.P.

By: Oak Hill Securities GenPar, L.P.
its General Partner

By: Oak Hill Securities MGP, Inc.,
its General Partner

By:_____
Name:
Title:

OCTAGON CREDIT INVESTORS LOAN
PORTFOLIO (a unit of the Chase
Manhattan Bank)

By:_____
Name:
Title:

PARIBAS CAPITAL FUNDING LLC
as a Lender

By:_____
Title:

PILGRIM AMERICA PRIME RATE TRUST
as a Lender

By:_____
Title:

PRIME INCOME TRUST
as a Lender

By:_____
Title:

ROYALTON COMPANY
as a Lender

By:_____
Title:

CRESCENT/MACHI PARTNERS L.P.
By TCW Asset Management Company
its Investment Manager,
as a Lender

By:_____
Name:
Title:

TCW Asset Management Company
as Attorney-in Fact for United
Companies Life Insurance Company,
as a Lender

By:_____
Name:
Title:

VAN KAMPEN AMERICAN CAPITAL
PRIME RATE INCOME TRUST

By:_____
Name:
Title:

BANK OF MONTREAL
as a Lender

By:_____
Title:

BANK OF TOKYO-MITSUBISHI TRUST
COMPANY
as a Lender

By:_____
Title:

BANQUE FRANCAISE DU COMMERCE
EXTERIEUR

By:_____
Name:
Title:

By:_____
Name:
Title:

BHF BANK AKTIENGESELLSCHAFT
GRAND CAYMAN BRANCH

By:_____
Name:
Title:

CORESTATES BANK, N.A.
as a Lender

By:_____
Title:

GOLDMAN SACHS CREDIT PARTNERS, L.P.
as a Lender

By:_____
Title:

PNC BANK, NATIONAL ASSOCIATION
as a Lender

By:_____
Name:
Title:

SKANDINAVISKA ENSKILDA BANKEN
CORPORATION
as a Lender

By:_____
Title:

SOCIETE GENERALE, NEW YORK BRANCH

By:_____
Name:
Title:

THE SUMITOMO BANK, LIMITED
as a Lender

By:_____
Title:

THE BANK OF NEW YORK
as a Lender

By:_____
Title:

THE MITSUBISHI TRUST AND BANKING
CORPORATION
as a Lender

By:_____
Title:

TRANSAMERICA BUSINESS CREDIT
CORPORATION

By:_____
Name:
Title:

U.S. BANK
as a Lender

By:_____
Title:

EXHIBIT 10.2

A/B Exchange
Registration Rights Agreement

Dated as of April 30, 1997

by and among

L-3 Communications Corporation,

Lehman Brothers Inc.

and

BancAmerica Securities, Inc.

A/B EXCHANGE
REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of April 30, 1997 by and among L-3 Communications Corporation, a Delaware corporation (the "Company"), and Lehman Brothers Inc. and BancAmerica Securities, Inc. (together, the "Initial Purchasers"), each of whom has agreed to purchase the Company's 10 3/8% Senior Subordinated Notes due 2007 (the "Series A Notes") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated April 25, 1997 (the "Purchase Agreement"), by and among the Company and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Series A Notes, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 3 of the Purchase Agreement.

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

Act: The Securities Act of 1933, as amended.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Broker-Dealer Transfer Restricted Securities: Series B Notes (including any Subsidiary Guarantees) that are acquired by a Restricted Broker-Dealer for its own account as a result of market-making activities or other trading activities.

Closing Date: The date of this Agreement.

Commission: The Securities and Exchange Commission.

Consummate: A Registered Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (i) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Series B Notes to be issued in the Exchange Offer, (ii) the maintenance of such Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the minimum period required pursuant to Section 3(b) hereof, and (iii) the delivery by the Company to the Registrar under the Indenture of Series B Notes in the same aggregate principal amount as the aggregate principal amount of Series A Notes that were tendered by Holders thereof pursuant to the Exchange Offer.

Damages Payment Date: With respect to the Series A Notes, each Interest Payment Date.

Effectiveness Target Date: As defined in Section 5.

Exchange Act: The Securities Exchange Act of 1934, as amended.

Exchange Offer: The registration by the Company under the Act of the Series B Notes (including any Subsidiary Guarantees) pursuant to a Registration Statement pursuant to which the Company offers the Holders of all outstanding Transfer Restricted Securities the opportunity to exchange all such outstanding Transfer Restricted Securities held by such Holders for Series B Notes and registered Subsidiary Guarantees in an aggregate principal amount equal to the aggregate principal amount of the Transfer Restricted Securities tendered in such exchange offer by such Holders.

Exchange Offer Registration Statement: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

Exempt Resales: The transactions in which the Initial Purchasers propose to sell the Series A Notes to (i) certain "qualified institutional buyers," as such term is defined in Rule 144A under the Act, (ii) to certain institutional "accredited investors," as such term is defined in Rule 501(a)(1), (2), (3) and (7) under the Act ("Accredited Institutions") and (iii) outside the United States to Persons other than U.S. Persons in offshore transactions meeting the requirements of rule 904 of Regulation S under the Act.

Guarantor: Any subsidiary of the Company that executes a Subsidiary Guarantee under the Indenture.

Holders: As defined in Section 2(b) hereof.

Indemnified Holder: As defined in Section 8(a) hereof.

Indenture: The Indenture, dated as of the date hereof, 1997, among the Company and The Bank of New York, as trustee (the "Trustee"), pursuant to which the Notes are to be issued, as such Indenture is amended or supplemented from time to time in accordance with the terms thereof.

Initial Purchasers: As defined in the preamble hereto.

Interest Payment Date: As defined in the Indenture and the Notes.

Market-Maker Prospectus: As defined in Section 4 hereof.

NASD: National Association of Securities Dealers, Inc.

Notes: The Series A Notes and the Series B Notes.

Person: An individual, partnership, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

Prospectus: The prospectus included in a Registration Statement including, without limitation, a Market-Maker Prospectus, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Record Holder: With respect to any Damages Payment Date relating to Notes, each Person who is a Holder of Notes on the record date with respect to the Interest Payment Date on which such Damages Payment Date shall occur.

Registration Default: As defined in Section 5 hereof.

Registration Statement: Any Registration Statement of the Company relating to (a) an offering of Series B Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, which is filed pursuant to the provisions of this Agreement including the registration for resale of Broker-Dealer Transfer Restricted Securities, in each case including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

Restricted Broker-Dealer: Any Broker-Dealer that is an affiliate of the Company that the holds Broker-Dealer Transfer Restricted Securities.

Series B Notes: The Company's 10 3/8% Senior Subordinated Notes due 2007 to be issued pursuant to the Indenture in the Exchange Offer.

Shelf Filing Deadline: As defined in Section 4 hereof.

Shelf Registration Statement: As defined in Section 4 hereof.

Subsidiary Guarantee: The Guarantee by a Guarantor of the Company's obligations under the Notes and Indenture.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture.

Transfer Restricted Securities: Each Note (including any Subsidiary Guarantee), until the earliest to occur of (a) the date on which such Note is exchanged in the Exchange Offer and entitled to be resold to the public by the Holder thereof without complying with the prospectus delivery requirements of the Act, (b) the date on which such Note (including any Subsidiary Guarantee) has been effectively registered under the Act and disposed of in accordance with a Shelf Registration Statement and (c) the date on which such Note (including any Subsidiary Guarantee) is distributed to the public pursuant to Rule 144 under the Act or by a Broker-Dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including delivery of the Prospectus contained therein).

Underwritten Registration or Underwritten Offering: A registration in which securities of the Company are sold to an underwriter for reoffering to the public.

SECTION 2. SECURITIES SUBJECT TO THIS AGREEMENT

(a) Transfer Restricted Securities and Broker-Dealer Transfer Restricted Securities. The securities entitled to the benefits of this Agreement are the Transfer Restricted Securities and Broker-Dealer Transfer Restricted Securities.

(b) Holders of Transfer Restricted Securities. A Person is deemed to be a holder of Transfer Restricted Securities (each, a "Holder") whenever such Person owns Transfer Restricted Securities.

(c) Holders of Broker-Dealer Transfer Restricted Securities. A Restricted Broker-Dealer is deemed to be a holder of Broker-Dealer Transfer Restricted Securities (each, a "Holder") whenever such Restricted Broker-Dealer owns Broker-Dealer Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permissible under applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with), the Company shall (i) cause to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than 90 days after the Closing Date, a Registration Statement under the Act relating to the Series B Notes (including any Subsidiary Guarantees) and the Exchange Offer, (ii) use all commercially reasonable efforts to cause such Registration Statement to become effective at the earliest possible time, but in no event later than 150 days after the Closing Date (which 150-day period shall be extended for a number of days equal to the number of business days, if any, the Commission is officially closed during such period), (iii) in connection with the foregoing, file (A) all pre-effective amendments to such Registration Statement as may be necessary in order to cause such Registration Statement to become effective, (B) if applicable, a post-effective amendment to such Registration Statement pursuant to Rule 430A under the Act and (C) cause all necessary filings in connection with the registration and qualification of the Series B Notes (including any Subsidiary Guarantees) to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, and (iv) upon the effectiveness of such Registration Statement, commence the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting registration of the Series B Notes (including any Subsidiary Guarantees) to be offered in exchange for the Transfer Restricted Securities and to permit resales of Notes held by Broker-Dealers as contemplated by Section 3(c) below.

(b) The Company shall cause the Exchange Offer Registration Statement to be effective continuously and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to Consummate the Exchange Offer; provided, however, that in no event shall such period be less than 20 business days. The Company shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the

Notes (including any Subsidiary Guarantees) shall be included in the Exchange Offer Registration Statement. The Company shall use its best efforts to cause the Exchange Offer to be Consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 30 business days thereafter.

(c) The Company shall indicate in a "Plan of Distribution" section contained in the Prospectus contained in the Exchange Offer Registration Statement that any Broker-Dealer who holds Series A Notes that are Transfer Restricted Securities and that were acquired for its own account as a result of market-making activities or other trading activities (other than Transfer Restricted Securities acquired directly from the Company), may exchange such Series A Notes pursuant to the Exchange Offer; however, such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a Prospectus meeting the requirements of the Act in connection with any resales of the Series B Notes received by such Broker-Dealer in the Exchange Offer, which Prospectus delivery requirement may be satisfied by the delivery by such Broker-Dealer of the Prospectus contained in the Exchange Offer Registration Statement. Such "Plan of Distribution" section shall also contain all other information with respect to such resales by Broker-Dealers that the Commission may require in order to permit such resales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Notes held by any such Broker-Dealer except to the extent required by the Commission.

The Company shall use all commercially reasonable efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 6(d) below to the extent necessary to ensure that it is available for resales of Notes acquired by Broker-Dealers for their own accounts as a result of market-making activities or other trading activities, and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of 180 days from the date on which the Exchange Offer Registration Statement is declared effective.

The Company shall provide sufficient copies of the latest version of such Prospectus to Broker-Dealers promptly upon request at any time during such 180 day period in order to facilitate such resales.

SECTION 4. SHELF REGISTRATION; MARKET-MAKER PROSPECTUS

(a) Shelf Registration. If (i) the Company is not required to file an Exchange Offer Registration Statement or to Consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Commission policy (after the procedures set forth in Section 6(a) below have been complied with) or (ii) if any Holder of Transfer Restricted Securities that is a "qualified institutional buyer," as such term is defined in Rule 144A under the Act or an institutional "accredited investor," as such term is defined in Rule 501(a)(1), (2), (3) and (7) under the Act shall notify the Company prior to the 20th business day following the Consummation of the Exchange Offer that such Holder alone or together with holders who hold in the aggregate at least $1.0 million in principal amount of Series A Notes (A) is prohibited by applicable law or Commission policy from participating in the Exchange Offer, or (B) may not resell the Series B Notes

acquired by it in the Exchange Offer to the public without delivering a prospectus and that the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder, or (C) is a Broker-Dealer and holds Series A Notes acquired directly from the Company or one of its affiliates, then the Company shall

(x) cause to be filed a shelf Registration Statement pursuant to Rule 415 under the Act, which may be an amendment to the Exchange Offer Registration Statement (in either event, the "Shelf Registration Statement") on or prior to the earliest to occur of (1) the 30th day after the date on which the Company determines that it is not required to file the Exchange Offer Registration Statement, or permitted to Consummate the Exchange Offer and (2) the 30th day after the date on which the Company receives notice from a Holder of Transfer Restricted Securities as contemplated by clause (ii) of paragraph (a) above (such earliest date being the "Shelf Filing Deadline"), which Shelf Registration Statement shall provide for resales of all Transfer Restricted Securities the Holders of which shall have provided the information required pursuant to Section 4(b) hereof; and

(y) use all commercially reasonable efforts to cause such Shelf Registration Statement to be declared effective by the Commission on or before the 90th day after the Shelf Filing Deadline.

The Company shall use all commercially reasonable to keep such Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Sections 6(b) and (d) hereof to the extent necessary to ensure that it is available for resales of Notes by the Holders of Transfer Restricted Securities entitled to the benefit of this Section 4(a), and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least two years following the Closing Date or such shorter period that will terminate when all Notes covered by the Shelf Registration Statement have been sold pursuant to the Shelf Registration Statement or become eligible for resale pursuant to Rule 144 without volume or other restrictions.

(b) Provision by Holders of Certain Information in Connection with the Shelf Registration Statement. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 10 business days after receipt of a request therefor, such information as the Company may reasonably request for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No

Holder of Transfer Restricted Securities shall be entitled to Liquidated Damages pursuant to Section 5 hereof unless and until such Holder shall have used its best efforts to provide all such reasonably requested information. Each Holder as to which any Shelf Registration Statement is being effected agrees to furnish promptly to the Company all information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

(c) Market-Maker Prospectus. The Company acknowledges that any Restricted Broker-Dealer holding Broker-Dealer Transfer Restricted Securities may not resell such Broker-Dealer Transfer Restricted Securities without delivering a Prospectus. Consequently, on the date that the Exchange Offer Registration Statement is filed with the Commission, the Company shall file a Registration Statement (which may be the Exchange Offer Registration Statement or the Shelf Registration Statement if permitted by the rules and regulations of the Commission) and shall use their best efforts to cause such Registration Statement to be declared effective by the Commission on or prior to the Consummation of the Exchange Offer. The Company shall use all commercially reasonable efforts to keep such Registration Statement continuously effective, supplemented and amended as required by the provisions of Sections 6(c) and (d) hereof to the extent necessary to ensure that it is available for resales of Broker-Dealer Transfer Restricted Securities by Restricted Broker-Dealers, and to ensure that it conforms with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, until such time as all Restricted Broker-Dealers determine in their judgment that they are no longer required to deliver a Prospectus in connection with sales of Broker-Dealer Transfer Restricted Securities. The Prospectus included in such Registration Statement is referred to in this Agreement as a "Market-Maker Prospectus."

SECTION 5. LIQUIDATED DAMAGES

If (i) any of the Registration Statements required by this Agreement is not filed with the Commission on or prior to the date specified for such filing in sections 3(a), 4(a), and 4(c), as applicable, (ii) any of such required Registration Statements has not been declared effective by the Commission on or prior to the date specified for such effectiveness in sections 3(a), 4(a), and 4(c), as applicable, (the "Effectiveness Target Date"), (iii) the Exchange Offer has not been Consummated within 30 business days after the Effectiveness Target Date with respect to the Exchange Offer Registration Statement or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself immediately declared effective (each such event referred to in clauses (i) through (iv), a "Registration Default"), the Company agrees to pay liquidated damages to each Holder of Transfer Restricted Securities with respect to the first 90-day period immediately following the occurrence of such Registration Default, in an amount equal to $.05 per week per $1,000 principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues. The amount of the liquidated damages shall increase by an additional $.05 per week per $1,000 in principal amount of Transfer Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up

to a maximum amount of liquidated damages of $.50 per week per $1,000 principal amount of Transfer Restricted Securities. All accrued liquidated damages shall be paid to Record Holders by the Company by wire transfer of immediately available funds or by federal funds check on each Damages Payment Date, as provided in the Indenture. Following the cure of all Registration Defaults relating to any particular Transfer Restricted Securities, the accrual of liquidated damages with respect to such Transfer Restricted Securities will cease.

All payment obligations of the Company set forth in the preceding paragraph that are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such payment obligations with respect to such Security shall have been satisfied in full.

SECTION 6. REGISTRATION PROCEDURES

(a) Exchange Offer Registration Statement. In connection with the Exchange Offer, the Company shall comply with all of the provisions of Section 6(d) below, shall use all commercially reasonable efforts to effect such exchange to permit the sale of Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and shall comply with all of the following provisions:

(i) If in the reasonable opinion of counsel to the Company there is a question as to whether the Exchange Offer is permitted by applicable law, the Company hereby agrees to seek a no-action letter or other favorable decision from the Commission allowing the Company to Consummate an Exchange Offer for such Series A Notes. The Company hereby agrees to pursue the issuance of such a decision to the Commission staff level but shall not be required to take commercially unreasonable action to effect a change of Commission policy. The Company hereby agrees, however, to (A) participate in telephonic conferences with the Commission, (B) deliver to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursue a resolution (which need not be favorable) by the Commission staff of such submission.

(ii) As a condition to its participation in the Exchange Offer pursuant to the terms of this Agreement, each Holder of Transfer Restricted Securities shall furnish, upon the request of the Company, prior to the Consummation thereof, a written representation to the Company (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Series B Notes to be issued in the Exchange Offer and (C) it is acquiring the Series B Notes in its ordinary course of business. In addition, all such Holders of Transfer Restricted Securities shall otherwise

cooperate in the Company's preparations for the Exchange Offer. Each Holder hereby acknowledges and agrees that any Broker-Dealer and any such Holder using the Exchange Offer to participate in a distribution of the securities to be acquired in the Exchange Offer (1) could not under Commission policy as in effect on the date of this Agreement rely on the position of the Commission enunciated in Morgan Stanley and Co., Inc. (available June 5, 1991) and Exxon Capital Holdings Corporation (available May 13, 1988), as interpreted in the Commission's letter to Shearman & Sterling dated July 2, 1993, and similar no-action letters (including any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction should be covered by an effective Registration Statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K if the resales are of Series B Notes obtained by such Holder in exchange for Series A Notes acquired by such Holder directly from the Company.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company shall provide a supplemental letter to the Commission (A) stating that the Company is registering the Exchange Offer in reliance on the position of the Commission enunciated in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley and Co., Inc. (available June 5, 1991) and, if applicable, any no-action letter obtained pursuant to clause (i) above and (B) including a representation that the Company has not entered into any arrangement or understanding with any Person to distribute the Series B Notes to be received in the Exchange Offer and that, to the best of the Company's information and belief, each Holder participating in the Exchange Offer is acquiring the Series B Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Series B Notes received in the Exchange Offer.

(b) Shelf Registration Statement. In connection with the Shelf Registration Statement, the Company shall comply with all the provisions of Section 6(d) below and shall use all commercially reasonable efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and pursuant thereto the Company will as expeditiously as possible prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof.

(c) Market-Maker Prospectus. In connection with any Registration Statement filed pursuant to Section 4(c) of this Agreement, the Company will comply with all of the provisions of Section 6(d) below (other than sub-sections (xiii), (xiv), (xv), (xvii) and (xx)) until such time as all Restricted Broker-Dealers determine in their judgment that they are no

longer required to deliver Market-Maker Prospectuses in connection with sales of Broker-Dealer Transfer Restricted Securities. The Company shall use all commercially reasonable efforts to deliver Market-Maker Prospectuses to all Restricted Broker-Dealers immediately upon the effectiveness of the Registration Statement and from time to time thereafter upon request, in such quantities as such Restricted Broker-Dealer shall require.

(d) General Provisions. In connection with any Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities (including, without limitation, any Registration Statement and the related Prospectus required to permit resales of Notes by Broker-Dealers) and Broker-Dealer Transfer Restricted Securities, the Company shall:

(i) use all commercially reasonable efforts to keep such Registration Statement continuously effective and provide all requisite financial statements (including, if required by the Act or any regulation thereunder, financial statements of any Guarantors) for the period specified in Section 3 or 4 of this Agreement, as applicable; upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not to be effective and usable for resale of Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities during the period required by this Agreement, the Company shall file promptly an appropriate amendment to such Registration Statement, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use all commercially reasonable efforts to cause such amendment to be declared effective and such Registration Statement and the related Prospectus to become usable for their intended purpose(s) as soon as practicable thereafter. Notwithstanding the foregoing, at any time after Consummation of the Exchange Offer, the Company may allow the Shelf Registration Statement or Market-Maker Prospectus and the related Registration Statement to cease to become effective and usable if (x) the board of directors of the Company determines in good faith that it is in the best interests of the Company not to disclose the existence of or facts surrounding any proposed or pending material corporate transaction involving the Company, and the Company notifies the Holders within two business days after the Board of Directors makes such determination, or (y) the Prospectus contained in the Shelf Registration Statement or the Market-Maker Prospectus, as the case may be, contains an untrue statement of the material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that the two-year period referred to in Section 4(a) hereof during which the Shelf Registration Statement is required to be effective and usable shall be extended by the number of days during which such Registration Statement was not effective or usable pursuant to the foregoing provisions;

(ii) prepare and file with the Commission such amendments and post-effective amendments to the Registration Statement as may be necessary to keep the Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as applicable; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply fully with the applicable provisions of Rules 424 and 430A under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) advise the underwriter(s), if any, and selling Holders of Transfer Restricted Securities and, following the Consummation of the Exchange Offer, Holders of Broker Dealer Transfer Restricted Securities, promptly and, if requested by such Persons, to confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities, as applicable, for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement or the Prospectus in order to make the statements therein not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities, as applicable, under state securities or Blue Sky laws, the Company shall use all commercially reasonable efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) furnish to each of the selling Holders of Transfer Restricted Securities or Holders of Broker-Dealer Transfer-Restricted Securities and each of the

underwriter(s), if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review of such Holders and underwriter(s), if any, for a period of at least five business days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) if a selling Holder of Transfer Restricted Securities or a Holder of Broker-Dealer Transfer Restricted Securities, as applicable, covered by such Registration Statement or the underwriter(s), if any, shall not have had an opportunity to participate in the preparation thereof;

(v) promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document to the selling Holders or the Holders of Broker-Dealer Transfer Restricted Securities, as applicable, and to the underwriter(s), if any, make the Company's representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such selling Holders or the Holders of Broker-Dealer Transfer Restricted Securities, as applicable, or underwriter(s), if any, reasonably may request;

(vi) make available at reasonable times at the Company's principal place of business for inspection by the selling Holders of Transfer Restricted Securities, any underwriter participating in any disposition pursuant to such Registration Statement, and any attorney or accountant retained by such selling Holders or any of the underwriter(s) who shall certify to the Company that they have a current intention to sell Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities pursuant to a Shelf Registration Statement or Market-Maker Prospectus, and, following the Consummation of the Exchange Offer, the Holders of Broker-Dealer Transfer Restricted Securities, such financial and other information of the Company as reasonably requested and cause the Company's officers, directors and employees to respond to such inquiries as shall be reasonably necessary, in the reasonable judgment of counsel to such Holders, to conduct a reasonable investigation; provided, however, that each such party shall be required to maintain in confidence and not to disclose to any other person any information or records reasonably designated by the Company in writing as being confidential, until such time as (A) such information becomes a matter of public record (whether by virtue of its inclusion in such Registration Statement or otherwise), or (B) such person shall be required so to disclose such information pursuant to the subpoena or order of any court

or other governmental agency or body having jurisdiction over the matter (subject to the requirements of such order, and only after such person shall have given the Company prompt prior written notice of such requirement), or (C) such information is required to be set forth in such Registration Statement or the Prospectus included therein or in an amendment to such Registration Statement or an amendment or supplement to such Prospectus in order that such Registration Statement, Prospectus, amendment or supplement, as the case may be, does not contain an untrue statement of a material fact or omit to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading;

(vii) if requested by any selling Holders of Transfer Restricted Securities or Holders of Broker-Dealer Transfer Restricted Securities, as applicable, or the underwriter(s), if any, promptly incorporate in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders and underwriter(s), if any, may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities, as applicable, information with respect to the principal amount of Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities, as applicable, being sold to such underwriter(s), the purchase price being paid therefor and any other terms of the offering of the Transfer Restricted Securities or Broker-Dealer Transfer-Restricted Securities, as applicable, to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment;

(viii) furnish to each selling Holder of Transfer Restricted Securities or Holders of Broker-Dealer Transfer Restricted Securities, as applicable, and each of the underwriter(s), if any, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(ix) deliver to each selling Holder of Transfer Restricted Securities and each of the underwriter(s), if any, and each Holder of Broker-Dealer Transfer Restricted Securities, without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company hereby consents to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, and each Holder of Broker-Dealer Transfer Restricted Securities, in connection with the offering and the sale of the Transfer

Restricted Securities and Broker-Dealer Transfer Restricted Securities, as applicable, covered by the Prospectus or any amendment or supplement thereto;

(x) enter into such agreements (including an underwriting agreement), and make such representations and warranties, and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities and Broker-Dealer Transfer Restricted Securities, as applicable, pursuant to any Registration Statement contemplated by this Agreement, all to such extent as may be requested by the Initial Purchaser or, in the case of registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, by any Holder or Holders of Transfer Restricted Securities who hold at least 25% in aggregate principal amount of such class of Transfer Restricted Securities or, in the case of Broker-Dealer Transfer Restricted Securities, by any Holder of Broker-Dealer Transfer Restricted Securities; provided, that, the Company shall not be required to enter into any such agreement more than once with respect to all of the Transfer Restricted Securities and, in the case of a Shelf Registration Statement, may delay entering into such agreement if the Board of Directors of the Company determines in good faith that it is in the best interests of the Company not to disclose the existence of or facts surrounding any proposed or pending material corporate transaction involving the Company; and whether or not an underwriting agreement is entered into and whether or not the registration is an Underwritten Registration, the Company shall:

(A) furnish to the Initial Purchaser, the Holders of Transfer Restricted Securities who hold at least 25% in aggregate principal amount of such class of Transfer Restricted Securities (in the case of a Shelf Registration Statement), each Holder of Broker-Dealer Transfer Restricted Securities and each underwriter, if any, in such substance and scope as they may request and as are customarily made in connection with an offering of debt securities pursuant to a Registration Statement (i) upon the effective date of any Registration Statement (and if such Registration Statement contemplates an Underwritten Offering of Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities, as applicable, upon the date of the closing under the underwriting agreement related thereto) and (ii) upon the filing of any amendment or supplement to any Registration Statement or any other document that is incorporated in any Registration Statement by reference and includes financial data with respect to a fiscal quarter or year:

(1) a certificate, dated the date of effectiveness of the Shelf Registration Statement signed by (y) the Chairman of the Board, the

President or any Vice President and (z) the Chief Financial Officer of the Company confirming, as of the date thereof, the matters set forth in paragraph (j) of Section 7 of the Purchase Agreement and such other matters as such parties may reasonably request;

(2) an opinion, dated the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Company covering the matters set forth in paragraphs (c), (d) and (e) of Section 7 of the Purchase Agreement and such other matter as such parties may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company, representatives of the independent public accountants for the Company, the Initial Purchasers' representatives and the Initial Purchasers' counsel in connection with the preparation of such Registration Statement and the related Prospectus and have considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing (relying as to materiality to a large extent upon facts provided to such counsel by officers and other representatives of the Company and without independent check or verification), no facts came to such counsel's attention that caused such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective, and, in the case of the Exchange Offer Registration Statement, as of the date of Consummation, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus contained in such Registration Statement as of its date and, in the case of the opinion dated the date of Consummation of the Exchange Offer, as of the date of Consummation, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Such counsel may state further that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other financial data included in any

Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated as of the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, from the Company's independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters by underwriters in connection with primary underwritten offerings, and affirming the matters set forth in the comfort letters delivered pursuant to Section 7 of the Purchase Agreement, without exception;

(B) set forth in full or incorporated by reference in the underwriting agreement, if any, the indemnification provisions and procedures of Section 8 hereof with respect to all parties to be indemnified pursuant to said Section; and

(C) deliver such other documents and certificates as may be reasonably requested by such parties to evidence compliance with clause (A) above and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company pursuant to this clause (x), if any.

(xi) prior to any public offering of Transfer Restricted Securities, or Broker-Dealer Transfer Restricted Securities, as applicable, cooperate with the selling Holders of Transfer Restricted Securities, the Holders of Broker-Dealer Transfer Restricted Securities, the underwriter(s), if any, and their respective counsel in connection with the registration and qualification of the Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities, as applicable, under the securities or Blue Sky laws of such jurisdictions as the selling Holders of Transfer Restricted Securities or Holders of Broker-Dealer Transfer Restricted Securities or underwriter(s) may reasonably request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities, as applicable, covered by the Shelf Registration Statement filed pursuant to Section 4 hereof; provided, however, that the Company shall not be required to register or qualify as a foreign corporation where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xii) shall issue, upon the request of any Holder of Series A Notes covered by the Shelf Registration Statement, Series B Notes, having an aggregate principal amount equal

to the aggregate principal amount of Series A Notes surrendered to the Company by such Holder in exchange therefor or being sold by such Holder; such Series B Notes to be registered in the name of such Holder or in the name of the purchaser(s) of such Notes, as the case may be; in return, the Series A Notes held by such Holder shall be surrendered to the Company for cancellation;

(xiii) cooperate with the selling Holders of Transfer Restricted Securities and the underwriter(s), if any, to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and enable such Transfer Restricted Securities to be in such denominations and registered in such names as the Holders or the underwriter(s), if any, may request at least two business days prior to any sale of Transfer Restricted Securities made by such underwriter(s);

(xiv) use its best efforts to cause the Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities, as applicable, covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter(s), if any, to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xi) above;

(xv) if any fact or event contemplated by clause (d)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, or Broker-Dealer Transfer Restricted Securities, as applicable, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading;

(xvi) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of the Registration Statement and provide the Trustee under the Indenture with printed certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company;

(xvii) cooperate and assist in any filings required to be made with the NASD and in the performance of any due diligence investigation by any underwriter (including any "qualified independent underwriter") that is required to be retained in accordance with the rules and regulations of the NASD;

(xviii) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and

make generally available to its security holders, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) for the twelve-month period (A) commencing at the end of any fiscal quarter in which Transfer Restricted Securities are sold to underwriters in a firm or best efforts Underwritten Offering or (B) if not sold to underwriters in such an offering, beginning with the first month of the Company's first fiscal quarter commencing after the effective date of the Registration Statement;

(xix) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement, and, in connection therewith, cooperate with the Trustee and the Holders of Notes to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute, and use all commercially reasonable efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner;

(xx) provide promptly to each Holder upon request each document filed with the Commission pursuant to the requirements of Section 13 and Section 15 of the Exchange Act; and

(xxi) cause each Guarantor upon the creation or acquisition by the Company of such Guarantor, to execute a counterpart to this Agreement in the form attached hereto as Annex A and to deliver such counterpart, together with an opinion of counsel as to the enforceability thereof against such entity, to the Initial Purchasers no later than five business days following the execution thereof.

Each Holder agrees by acquisition of a Transfer Restricted Security or Broker-Dealer Transfer Restricted Securities, as applicable, that, upon receipt of any notice from the Company of the existence of any fact of the kind described in Section 6(d)(iii)(D) hereof, such Holder will forthwith discontinue disposition of Transfer Restricted Securities or Broker-Dealer Transfer Restricted Security pursuant to the applicable Registration Statement until such Holder's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(d)(xvi) hereof, or until it is advised in writing (the "Advice") by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus. If so directed by the Company, each Holder will deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities or Broker-Dealer Transfer Restricted Security, as applicable, that was current at the time of receipt of such notice. In the event the Company shall give any such notice, the time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by the number of days during the period from and including the date of the giving of such notice pursuant to

Section 6(d)(iii)(D) hereof to and including the date when each selling Holder covered by such Registration Statement shall have received the copies of the supplemented or amended Prospectus contemplated by Section 6(d)(xv) hereof or shall have received the Advice.

The Company may require each Holder of Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities as to which any registration is being effected to furnish to the Company such information regarding such Holder and such Holder's intended method of distribution of the applicable Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities as the Company may from time to time reasonably request in writing, but only to the extent that such information is required in order to comply with the Act. Each such Holder agrees to notify the Company as promptly as practicable of (i) any inaccuracy or change in information previously furnished by such Holder to the Company or (ii) the occurrence of any event, in either case, as a result of which any Prospectus relating to such registration contains or would contain an untrue statement of a material fact regarding such Holder or such Holder's intended method of distribution of the applicable Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities or omits to state any material fact regarding such Holder or such Holder's intended method of distribution of the applicable Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities required to be stated therein or necessary to make the statements therein not misleading and promptly to furnish to the Company any additional information required to correct and update any previously furnish to the Company any additional information required to correct and update any previously furnished information or required so that such Prospectus shall not contain, with respect to such Holder or the distribution of the applicable Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

SECTION 7. REGISTRATION EXPENSES

All expenses incident to the Company's performance of or compliance with this Agreement will be borne by the Company regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses (including filings made by any Initial Purchaser or Holder with the NASD (and, if applicable, the fees and expenses of any "qualified independent underwriter" and its counsel that may be required by the rules and regulations of the NASD)); (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Series B Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services; (iv) all fees and disbursements of counsel for the Company and the Holders of Transfer Restricted Securities; and (v) all fees and disbursements of independent certified public accountants of the Company (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses

of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company.

SECTION 8. INDEMNIFICATION

(a) The Company shall indemnify and hold harmless each Holder of Transfer Restricted Securities or Broker Dealer Transfer Restricted Securities, its officers and employees and each person, if any, who controls any such Holders, within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases, sales and registration of Notes), to which that Holder, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Registration Statement or Prospectus or in any amendment or supplement thereto or (B) in any blue sky application or other document prepared or executed by the Company (or based upon any written information furnished by the Company) specifically for the purpose of qualifying any or all of the Notes under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "Blue Sky Application"), (ii) the omission or alleged omission to state in any Registration Statement or Prospectus, or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) any act or failure to act or any alleged act or failure to act by any Holder in connection with, or relating in any manner to, the Notes or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered by clause (i) or (ii) above (provided that the Company shall not be liable under this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Holder through its gross negligence or willful misconduct), and shall reimburse each Holder and each such officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Holder, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Registration Statement or Prospectus, or in any such amendment or supplement, or in any Blue Sky Application, in reliance upon and in conformity with written information concerning such Holder furnished to the Company by or on behalf of any Holder specifically for inclusion therein. The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Holder or to any officer, employee or controlling person of that Holder.

(b) Each Holder, severally and not jointly, shall indemnify and hold harmless the Company, its officers and employees, each of its directors, and each person, if any, who controls the Company within the meaning of the Securities Act, from and against any loss, claim, damage or

liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Registration Statement or Prospectus, or in any amendment or supplement thereto, or (B) in any Blue Sky Application or (ii) the omission or alleged omission to state in any Registration Statement or Prospectus, or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Holders furnished to the Company by or on behalf of that Holder specifically for inclusion therein, and shall reimburse the Company and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Holder may otherwise have to the Company or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, any indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment thereof has been specifically authorized by the indemnifying party in writing, (ii) such indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party and in the reasonable judgement of such counsel it is advisable for such indemnified party to employ separate counsel or (iii) the indemnifying party has failed to assume the defense of such action and employ counsel reasonably satisfactory to the indemnified party, in which case, if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party shall not, in

connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to one local counsel) at any time for all such indemnified parties, if the indemnified parties under this Section 8 consist of any Initial Purchaser or any of their respective officers, employees or controlling persons, or by the Company, if the indemnified parties under this Section consist of the Company or any of the Company's directors, officers, employees or controlling persons. Each indemnified party, as a condition of the indemnity agreements contained in Section 8, shall use all commercially reasonable efforts to cooperate with the indemnifying party in the defense of any such action or claim. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company, on the one hand, and the Holders on the other, from the offering of the Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Holders on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Holders on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Series A Notes purchased under the Purchase Agreement (before deducting expenses) received by the Company, on the one hand, and the total discounts and commissions received by the Holders with respect to the Series A Notes purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the Series A Notes under the Purchase Agreement, in each case as set forth in the table on the cover page of the Offering Memorandum. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Holders, the intent of the parties and their relative

knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Holders agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), no Holder shall be required to contribute any amount in excess of the amount by which the net proceeds received by it in connection with its sale of Notes exceeds the amount of any damages which such Holder has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute as provided in this Section 8(d) are several and not joint.

SECTION 9. RULE 144A

The Company hereby agrees with each Holder of Transfer Restricted Securities, during any period in which the Company is not subject to Section 13 or 15(d) of the Exchange Act within the two-year period following the Closing Date, and each Holder of Broker-Dealer Transfer Restricted Securities, for so long as any Broker-Dealer Transfer Restricted Securities remain outstanding, to make available to any Holder or beneficial owner of Transfer Restricted Securities or any Holder or Broker-Dealer Transfer Restricted Securities, in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities from such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A.

SECTION 10. PARTICIPATION IN UNDERWRITTEN REGISTRATIONS

No Holder may participate in any Underwritten Registration hereunder unless such Holder (a) agrees to sell such Holder's Transfer Restricted Securities or Broker-Dealer Transfer Restricted Securities, as applicable, on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all reasonable questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such underwriting arrangements.

SECTION 11. SELECTION OF UNDERWRITERS

The Holders of Transfer Restricted Securities covered by the Shelf Registration Statement who desire to do so may sell such Transfer Restricted Securities in an Underwritten Offering at such Holders' expense. In any such Underwritten Offering, the investment banker or

investment bankers and manager or managers that will administer the offering will be selected by the Holders of a majority in aggregate principal amount of the Transfer Restricted Securities included in such offering; provided, that such investment bankers and managers must be reasonably satisfactory to the Company.

SECTION 12. MISCELLANEOUS

(a) Remedies. The Company agrees that monetary damages (including the liquidated damages contemplated hereby) would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement and hereby agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) No Inconsistent Agreements. The Company will not, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Except as disclosed in the Final Offering Memorandum, the Company has not previously entered into any agreement granting any registration rights with respect to its securities to any Person. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's securities under any agreement in effect on the date hereof.

(c) Adjustments Affecting the Notes. The Company will not take any action, or permit any change to occur, with respect to the Notes that would materially and adversely affect the ability of the Holders to Consummate any Exchange Offer.

(d) Amendments and Waivers. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities. Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose securities are being tendered pursuant to the Exchange Offer and that does not affect directly or indirectly the rights of other Holders whose securities are not being tendered pursuant to such Exchange Offer may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities being tendered or registered.

(e) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company:

L-3 Communications Corporation
600 Third Avenue, 34th Floor,
New York, New York 10016,
Attention: Chief Financial Officer
(Fax: 212-805-5470),

With a copy to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, NY, 10017
Attention: Andrew R. Keller
(Fax: 212-455-2502)

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders or Restricted Broker Dealers; provided, however, that this Agreement shall not inure to the benefit of or be binding upon a successor or assign of a Holder unless and to the extent such successor or assign acquired Transfer Restricted Securities or Broker Dealer Transfer Restricted Securities from such Holder.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CONFLICT OF LAW RULES THEREOF.

(j) Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and

of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) Entire Agreement. This Agreement together with the other Operative Documents (as defined in the Purchase Agreement) is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Company with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

[Signature pages follow]

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

L-3 Communications Corporation

By: _____
Name:
Title:

Lehman Brothers Inc.
BancAmerica Securities, Inc.

By Lehman Brothers Inc.

By: _____
Authorized Representative

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

L-3 Communications Corporation

By: _____
Name:
Title:

Lehman Brothers Inc.
BancAmerica Securities, Inc.

By Lehman Brothers Inc.

By: _____
Authorized Representative

Annex A

Counterpart To Registration Rights Agreement

The undersigned hereby absolutely, unconditionally and irrevocably agrees (as a "Guarantor") to make all commercially reasonable efforts to include its Subsidiary Guarantee in any Registration Statement required to be filed by the Company pursuant to the Registration Rights Agreement, dated as of April 30, 1997, (the "Registration Rights Agreement") by and among L-3 Communications Corporation, a Delaware corporation, Lehman Brothers Inc. and BancAmerica Securities, Inc.; to make all commercially reasonable efforts to cause such Registration Statement to become effective as specified in the Registration Rights Agreement; and to otherwise be bound by the terms and provisions of the Registration Rights Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Counterpart as of _____, 1997.

[NAME]

By: _____
Name:
Title:

EXHIBIT 10.3

L-3 COMMUNICATIONS CORPORATION

10 3/8% Senior Subordinated Notes due 2007

PURCHASE AGREEMENT

April 25, 1997

Lehman Brothers Inc.
BancAmerica Securities, Inc.
c/o Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285

Dear Sirs:

L-3 Communications Corporation, a Delaware corporation (the "Company"), proposes to issue and sell to you (the "Initial Purchasers") $225.0 million in aggregate principal amount of its 10 3/8% Senior Subordinated Notes due 2007 (the "Series A Notes") pursuant to the terms of an Indenture (the "Indenture") between the Company and The Bank of New York, as trustee (the "Trustee"), relating to the Series A Notes. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Indenture.

The Series A Notes will be offered and sold to you pursuant to an exemption from the registration requirements under the Securities Act of 1933, as amended (the "Act"). The Company has prepared a preliminary offering memorandum (the "Preliminary Offering Memorandum"), dated April 11, 1997, and a final offering memorandum (the "Offering Memorandum"), dated April 25, 1997, relating to the Company and the Series A Notes. As described in the Offering Memorandum, the Company will use all of the net proceeds from the offering of the Series A Notes to pay, in part, the $480.0 million (prior to adjustments and reductions) cash portion of the purchase price of certain businesses and assets (the "Acquired Businesses") to be acquired by the Company from Lockheed Martin Corporation pursuant to the Acquisition Documents (as defined herein).

Upon original issuance thereof, and until such time as the same is no longer required under the applicable requirements of the Act, the Series A Notes (and all securities issued in exchange therefor or in substitution thereof) shall bear the following legend:

> "THE SECURITY (OR ITS PREDECESSOR) EVIDENCED HEREBY WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER SECTION 5 OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THE SECURITY EVIDENCED HEREBY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN
>
> APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THE SECURITY EVIDENCED HEREBY IS HEREBY NOTIFIED THAT THE SELLER MAY BE RELYING ON THE EXEMPTION FROM THE PROVISION OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THE SECURITY EVIDENCED HEREBY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) SUCH SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (1) (a) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (b) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (c) OUTSIDE THE UNITED STATES TO A FOREIGN PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 UNDER THE SECURITIES ACT OR (d) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE COMPANY SO REQUESTS), (2) TO THE COMPANY OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE SECURITY EVIDENCED HEREBY OF THE RESALE RESTRICTIONS SET FORTH IN (A) ABOVE."

You have advised the Company that you will make offers (the "Exempt Resales") of the Series A Notes purchased by you hereunder on the terms set forth in the Offering Memorandum, as amended or supplemented, solely to (i) persons whom you reasonably believe to be "qualified institutional buyers" as defined in Rule 144A under the Act ("QIBs"), (ii) a limited number of other institutional "accredited investors," as defined in Rule 501(a) (1), (2), (3) and (7) under the Act, who execute a letter containing certain representations and agreements in the form set forth as Annex A to the Offering Memorandum (each, an "Accredited Institution") and (iii) outside the United States to persons other than U.S. Persons in offshore transactions meeting the requirements of Rule 904 of Regulation S ("Regulations S") under the Act (such persons specified in clauses (i) through (iii) being referred to herein as the "Eligible Purchasers"). As used herein, the terms "offshore transaction," "United States" and "U.S. person" have the respective meanings given to them in Regulation S. You will offer the Series A Notes to Eligible Purchasers initially at a price equal to 100% of the principal amount thereof. Such price may be changed at any time

without notice.

Holders (including subsequent transferees) of the Series A Notes will have the registration rights set forth in the registration rights agreement (the "Registration Rights Agreement"), to be dated April 30, 1997 (the "Closing Date"), in the form of Exhibit A hereto, for so long as such Series A Notes constitute "Transfer Restricted Securities" (as defined in the Registration Rights Agreement). Pursuant to the Registration Rights Agreement, the Company will agree to file with the Securities and Exchange Commission (the "Commission") under the circumstances set forth therein, (i) a registration statement under the Act (the "Exchange Offer Registration Statement") relating to the Company's 10 3/8% Senior Subordinated Notes due 2007 (the "Series B Notes" and, together with the Series A Notes, the "Notes") to be offered in exchange for the Series A Notes, (such offer to

exchange being referred to collectively as the "Registered Exchange Offer") and (ii) a shelf registration statement pursuant to Rule 415 under the Act (the "Shelf Registration Statement") relating to the resale by certain holders of the Series A Notes, and to use its best efforts to cause such Registration Statements to be declared effective. This Agreement, the Indenture and the Registration Rights Agreement are hereinafter referred to collectively as the "Operative Documents." This is to confirm the agreements concerning the purchase of the Series A Notes from the Company by you.

1. Representations, Warranties and Agreements of the Company. The Company represents, warrants and agrees as follows (all of such representations and warranties shall be deemed to include the Acquired Businesses, and all references to the Company in this section shall assume that the Company has acquired the Acquired Businesses as of the date hereof):

(a) The Preliminary Offering Memorandum and Offering Memorandum have been prepared by the Company for use by the Initial Purchasers in connection with the Exempt Resales. No order or decree preventing the use of the Preliminary Offering Memorandum or the Offering Memorandum, or any order asserting that the transactions contemplated by this Agreement are subject to the registration requirements of the Act has been issued and no proceeding for that purpose has commenced or is pending or, to the knowledge of the Company, is contemplated.

(b) The Preliminary Offering Memorandum and the Offering Memorandum as of their respective dates and the Offering Memorandum as of the Closing Date, did not and will not contain an untrue statement of a material fact or omit to state a material fact necessary, in order to make the statements, in light of the circumstances under which they were made, not misleading, except that this representation and warranty does not apply to statements in or omissions from the Preliminary Offering Memorandum and Offering Memorandum made in reliance upon and in conformity with information relating to the Initial Purchasers furnished to the Company in writing by or on behalf of the Initial Purchasers expressly for use therein.

(c) The market-related and customer-related data and estimates included in the Preliminary Offering Memorandum and the Offering Memorandum are based on or derived from sources which the Company believes to be reliable and accurate.

(d) The Company is a corporation duly incorporated and validly existing and in good standing under the laws of Delaware with full corporate power and authority to own, lease and operate its properties and to conduct its business, and will be on or prior to the Closing Date duly registered and qualified to conduct its business and will be on or prior to the Closing Date in good standing in each jurisdiction or place where the nature of its properties or the conduct of its business requires such registration or qualification, except where the failure so to register or qualify or to be in good standing does not have a material adverse effect on the condition (financial or other), business, prospects, properties, shareholders' equity or results of operations of the Company (a "Material Adverse Effect").

(e) The Company has all requisite power and authority to execute, deliver and perform its obligations under this Agreement, the Indenture, the Notes and the Registration Rights Agreement.

(f) This Agreement has been duly and validly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery by the Initial Purchasers, constitutes the valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing and except as rights to indemnity and contribution hereunder may be limited by Federal or state securities laws or principles of public policy.

(g) The Registration Rights Agreement has been duly and validly authorized by the Company and, upon its execution and delivery by the Company and, assuming due authorization, execution and delivery by the Initial Purchasers, will constitute the valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing may be limited by Federal or state securities laws or principles of public policy.

(h) The Indenture has been duly and validly authorized by the Company, and upon its execution and delivery and, assuming due authorization, execution and delivery by the Trustee, will constitute the valid and binding agreement of the Company, enforceable against the Company in accordance with its terms subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing; no qualification of the Indenture under the 1939 Act is required in connection with the offer and sale of the Series A Notes contemplated hereby or in connection with the Exempt Resales.

(i) The Series A Notes have been duly and validly authorized by the Company and when duly executed by the Company in accordance with the terms of the Indenture and, assuming due authentication of the Series A Notes by the Trustee, upon delivery to the Initial Purchasers against payment therefor in accordance with the terms hereof, will have been validly issued and delivered, and will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture, enforceable against the Company in accordance with their terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(j) The Series B Notes have been duly and validly authorized by the Company and if and when duly issued and authenticated in accordance with the terms of the Indenture and delivered in accordance with the Exchange Offer provided for in the Registration Rights Agreement, will constitute valid and binding obligations of the Company entitled to the benefits of the Indenture, enforceable against the Company in accordance with their terms, subject to the effects of bankruptcy, insolvency, fraudulent

conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(k) Each of the credit agreement (the "Credit Agreement"), dated April 30, 1997, by and among the Company, Lehman Commercial Paper Inc. and Bank of America NT & SA and any and all other agreements and instruments ancillary to or entered into in connection with the transaction contemplated by the Credit Agreement (together with the Credit Agreement, the "Credit Documents") has been duly and validly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to the qualification that the enforceability of the Company's obligations thereunder may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws relating to or affecting creditors' rights generally and by general equitable principles.

(l) The Company has all requisite corporate power and authority to enter into or assume the rights and obligations under, as applicable, (i) the transaction agreement (the "Transaction Agreement"), dated as of March 28, 1997, by and among Lockheed Martin Corporation, Lehman Brothers Capital Partners III, L.P., Frank C. Lanza, Robert V. LaPenta and L-3 Communications Holdings, Inc. and (ii) any and all other agreements and side letters (excluding the common stock subscription agreement to be entered into by Lockheed Martin Corporation, Lehman Brothers Capital Partners III, L.P. Frank C. Lanza, Robert V. LaPenta and L-3 Communications Holdings, Inc.) ancillary to or entered into in connection with the transaction contemplated by the Transaction Agreement (items (i) and (ii) are referred to collectively as the "Acquisition Documents").

(m) Each of the Transaction Agreement, the other Acquisition Documents and/or any assignment agreement pertaining thereto, as applicable, between L-3 Communications Holdings, Inc. and the Company, has been duly and validly authorized, and when executed and delivered by the Company, and, assuming due authorization, execution and delivery by the other parties thereto, will constitute the valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject to the qualification that the enforceability of the Company's obligations thereunder may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, and other laws relating to or affecting creditors' rights generally and by general equitable principles.

(n) All the shares of capital stock of the Company outstanding prior to the issuance of the Series A Notes have been duly authorized and validly issued and are fully paid and nonassessable and the authorized capital stock of the Company conforms to the description thereof under the caption "Capitalization" in the Offering Memorandum. The Company does not have any subsidiaries.

(o) There are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened, against the Company or to which any of its properties, is subject, that are not disclosed in the Offering Memorandum and which, if adversely decided, are reasonably likely to cause a Material Adverse Effect. The Company is not involved in any strike,

job action or labor dispute with any group of employees that would have a Material Adverse Effect, and, to the Company's knowledge, no such action or dispute is threatened.

(p) No material relationship, direct or indirect, exists between or among the Company on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company on the other hand, except as described in the Offering Memorandum.

(q) The Company (i) is not in violation of its certificate of incorporation, by-laws or other organizational document, (ii) is not in default in any material respect, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject that is material to the Company's financial condition or prospects (collectively, the "Material Agreements") or (iii) is not in violation in any material respect of any law, statute, ordinance, governmental rule, regulation, filing or injunction or court decree to which it or its property or assets is subject or has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business, except as would not, individually, or in the aggregate, have a Material Adverse Effect.

(r) None of the issuance, offer or sale of the Series A Notes, the execution, delivery or performance by the Company of this Agreement or the other Operative Documents, compliance by the Company with the provisions hereof or thereof nor consummation by the Company of the transactions contemplated hereby or thereby; none of the execution, delivery or performance by the Company of the Credit Agreement or the other Credit Documents, compliance by the Company with the provisions thereof nor consummation by the Company of the transactions contemplated thereby; and none of the execution, delivery or performance by the Company of the Transaction Agreement, the other Acquisition Documents and/or any assignment agreement pertaining thereto between L-3 Communications Holdings, Inc. and the Company, as the case may be, compliance by the Company with the provisions thereof nor consummation by the Company of the transactions contemplated thereby (i) requires any consent, approval, authorization or other order of, or registration or filing with, any court, regulatory body, administrative agency or other governmental body, agency or official (except such as may be required in connection with the registration under the Act of the Series B Notes in accordance with the Registration Rights Agreement, qualification of the Indenture under the 1939 Act and compliance with the securities or Blue Sky laws of various jurisdictions and except as required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and except the consents specified by Exhibit B hereto), or conflicts or will conflict with or constitutes or will constitute a breach of, or a default under, the certificate of incorporation or bylaws, or other organizational documents, of the Company or (ii) conflicts or will conflict with or constitutes or will constitute a breach of, or a default under any Material Agreement or will violate any material law, statute, ordinance, governmental rule, regulation, filing or injunction or court decree to which it or its property or assets is subject or will result in the creation or imposition of any lien, charge or encumbrance upon any material property or assets of the

Company pursuant to the terms of any agreement or instrument to which it is a party or to which any of its property or assets is subject.

(s) The accountants, Coopers & Lybrand L.L.P., who have certified certain of the financial statements included as part of the Offering Memorandum, are independent public accountants under Rule 101 of the AICPA's Code of Professional Conduct, and its interpretation and rulings.

(t) The accountants, Ernst & Young LLP, who have certified certain of the financial statements included as part of the Offering Memorandum, are independent public accountants under Rule 101 of the AICPA's Code of Professional Conduct, and its interpretation and rulings.

(u) The historical and pro forma financial statements, together with related notes, set forth in the Offering Memorandum (excluding Summary-Unaudited Pro Forma and Supplemental Adjusted Historical Financial Data and Unaudited Supplemental Adjusted Historical Financial Data) comply as to form in all material respects with the requirements of Regulation S-X under the Act applicable to registration statements on Form S-1 under the Act. Such historical financial statements fairly present the financial position of the Company (or its predecessor) at the respective dates indicated and the results of operations and cash flows for the respective periods indicated, in accordance with GAAP consistently applied throughout such periods. Such pro forma financial statements have been prepared on a basis consistent with such historical statements, except for the pro forma adjustments specified therein, and give effect to assumptions made on a reasonable basis and in good faith and present fairly the historical and proposed transactions contemplated by the Offering Memorandum and this Agreement. The other financial and statistical information and data included in the Offering Memorandum (including Summary-Unaudited Pro Forma and Supplemental Adjusted Historical Financial Data and Unaudited Supplemental Adjusted Historical Financial Data), historical and pro forma, have been derived from the financial records of the Lockheed Martin Predecessor Businesses and the Loral Acquired Businesses (each as defined in the Offering Memorandum) and, in all material respects, have been prepared on a basis consistent with such books and records of the Company (or its predecessor), except as disclosed therein.

(v) Except as disclosed in, or specifically contemplated by, the Offering Memorandum, subsequent to the date as of which such information is given in the Offering Memorandum, the Company has not incurred any liability or obligation, direct or contingent, or entered into any transaction, in each case not in the ordinary course of business, that is material to the Company, and there has not been any material change in the capital stock, or material increase in the short-term or long-term debt, of the Company or any material adverse change, or any development involving or which would reasonably be expected to involve a prospective material adverse change, in the condition (financial or other), business, properties, shareholders' equity, results of operations or prospects of the Company.

(w) The Company will, on or prior to the Closing Date, have good and marketable title to all property (real and personal) described in the Offering Memorandum as being owned by it, free and clear of all liens, claims, security interests or other encumbrances except such as are described in the Offering Memorandum or, to the extent that any such liens, claims, security interests or other encumbrances would not have a Material Adverse Effect (individually or in the aggregate) and all the material property

described in the Offering Memorandum as being held under lease by the Company is held by it under valid, subsisting and enforceable leases, with only such exceptions as in the aggregate would not have a Material Adverse Effect.

(x) The Company will, on or prior to the Closing date, own all material patents, trademarks, service marks, trade names, copyrights, licenses, inventions, trade secrets and other rights, and all registrations or applications relating thereto, described in the Offering Memorandum as being owned by it or necessary for the conduct of its business, except as such would not have a Material Adverse Effect, and the Company is not aware of any pending or threatened claim to the contrary or any pending or threatened challenge by any other person to the rights of the Company with respect to the foregoing which, if determined adversely to the Company would have a Material Adverse Effect.

(y) The Company will, on or prior to the Closing Date, have all material permits, licenses, franchises, certificates of need and other approvals or authorizations of governmental or regulatory authorities ("Permits") as are necessary under applicable law to own its properties and to conduct its business in the manner described in the Offering Memorandum, except to the extent that the failure to have such Permits would not have a Material Adverse Effect; the Company has fulfilled and performed in all material respects, all of its material obligations with respect to the Permits, and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other material impairment of the rights of the holder of any such Permit, subject in each case to such qualification as may be set forth in the Offering Memorandum and except to the extent that any such revocation or termination would not have a Material Adverse Effect.

(z) To the best of the Company's knowledge, neither the Company nor any director, officer, agent, employee or other person associated with or acting on behalf of the Company, has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds or violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977 except such that would not have a Material Adverse Effect.

(aa) The Company is not and, upon sale of the Series A Notes to be issued and sold thereby in accordance herewith and the application of the net proceeds to the Company of such sale as described in the Offering Memorandum under the caption "Use of Proceeds," will not be an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(ab) Neither the Company nor any affiliate (as defined in Rule 501(b) of Regulation D ("Regulation D") under the Act) of the Company has directly, or through any agent (provided that no representation is made as to the Initial Purchasers or any person acting on its behalf), (i) sold, offered for sale, solicited offers to buy or otherwise negotiated in respect of, any security (as defined in the Act) which is or could be integrated with the offering and sale of the Notes in a manner that would require the registration of the Series A Notes under the Act or (ii) engaged in any form of general solicitation or general advertising (within the meaning of Regulation D, including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine, or

similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising) in connection with the offering of the Series A Notes. No securities of the same class as the Series A Notes have been issued and sold by the Company within the six-month period immediately prior to the date hereof.

(ac) Except as permitted by the Act, the Company has not distributed and, prior to the later to occur of the Closing Date and completion of the distribution of the Series A Notes, will not distribute any offering material in connection with the offering and sale of the Series A Notes other than the Preliminary Offering Memorandum and Offering Memorandum.

(ad) When the Series A Notes are issued and delivered pursuant to this Agreement, such Series A Notes will not be of the same class (within the meaning of Rule 144A under the Act) as securities of the Company that are listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or that are quoted in a U.S. automated inter-dealer quotation system.

(ae) Assuming (i) that your representations and warranties in Section 2 are true, (ii) that the representations of the Accredited Institutions set forth in the certificates of such Accredited Institutions in the form set forth in Annex A to the Offering Memorandum are true, (iii) compliance by you with your covenants set forth in Section 2 and (iv) that each of the Eligible Purchasers is a QIB, an Accredited Institution or a person who is not a "U.S. person" who acquires the Series A Notes outside the United States in an "offshore transaction" (within the meaning of Rule 904 of Regulation S), the purchase of the Series A Notes by you pursuant hereto and the resale of the Series A Notes pursuant hereto pursuant to the Exempt Resales is exempt from the registration requirements of the Act.

(af) The Company is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA") other than in connection with acquisition of the Acquired Businesses; no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company would reasonably expect to incur any material liability; the Company has not incurred and does not reasonably expect to incur any material liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); (other than contributions in the normal course which are not in default) and each "pension plan" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is expected to be so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would reasonably be expected to cause the loss of such qualification.

(ag) Except as disclosed in the Offering Memorandum, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant

to the Exchange Offer Registration Statement, the Shelf Registration Statement or in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act.

(ah) The Company has filed all federal, state and local income and franchise tax returns required to be filed through the date hereof and has paid all taxes due thereon, and no tax deficiency has been determined adversely to the Company nor does the Company have any knowledge of any tax deficiency which, if determined adversely to the Company, might have a Material Adverse Effect.

(ai) There has been no storage, disposal, generation, manufacture, refinement, transportation, handling or treatment of toxic wastes, medical wastes, hazardous wastes or hazardous substances by the Company (or, to the knowledge of the Company, any of their predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for any violation or remedial action which would not have, or would not be reasonably likely to have, singularly or in the aggregate with all such violations and remedial actions, a Material Adverse Effect; there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any toxic wastes, medical wastes, solid wastes, hazardous wastes or hazardous substances due to or caused by the Company or with respect to which the Company has knowledge, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which would not have or would not be reasonably likely to have, singularly or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, a Material Adverse Effect; and the terms "hazardous wastes," "toxic wastes," "hazardous substances" and "medical wastes" shall have the meanings specified in any applicable local, state, federal and foreign laws or regulations with respect to environmental protection.

(aj) None of the Company or any of its affiliates or any person acting on its or their behalf has engaged or will engage in any directed selling efforts within the meaning of Regulation S with respect to the Notes, and the Company and its affiliates and all persons acting on its of their behalf have complied with and will comply with the offering restrictions requirements of Regulation S in connection with the offering of the Notes outside of the United States. The sales of the Series A Notes pursuant to Regulation S are "offshore transactions" and are not part of a plan or scheme to evade the registration provision of the Act. The Company makes no representation in this paragraph (al) with respect to the Initial Purchasers.

2. Representations, Warranties and Agreements of the Initial Purchasers. Each Initial Purchaser represents and warrants with respect to itself that:

(a) Such Initial Purchaser is either a QIB or an Accredited Institution, in either case with such knowledge and experience in financial and business matters as are necessary in order to evaluate the merits and risks of an investment in the Series A Notes.

(b) Such Initial Purchaser (i) is not acquiring the Series A Notes with a view to any distribution thereof or with any present intention of offering or selling any of the Series A Notes in a transaction that would violate the Act or the securities laws of any State of the United States or any other applicable jurisdiction; (ii) in connection with the Exempt Resales, will solicit offers to buy the Notes only from, and will offer to sell the Notes only to, the Eligible Purchasers in accordance with this Agreement and on the terms contemplated by the Offering Memorandum; and (iii) will not offer or sell the Notes, nor has it offered or sold the Notes by, or otherwise engaged in, any form of general solicitation or general advertising (within the meaning of Regulation D; including, but not limited to, advertisements, articles, notices or other communications published in any newspaper, magazine, or similar medium or broadcast over television or radio, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising) in connection with the offering of the Series A Notes.

(c) The Notes have not been and will not be registered under the Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Act or pursuant to an exemption from the registration requirements of the Act. The Initial Purchasers represent that they have not offered, sold or delivered the Notes, and will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (such period, the "Restricted Period"), within the United States or to, or for the account or benefit of U.S. persons, except in accordance with Rule 144A under the Act, or to Accredited Institutions in transactions that are exempt from the registration requirements of the Act. Accordingly, each Initial Purchaser represents and agrees that neither it, its affiliates nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts within the meaning of Rule 901(b) of Regulation S with respect to the Notes, and it, its affiliates and all persons acting on its behalf have complied and will comply with the offering restrictions requirements of Regulation S.

(d) Such Initial Purchaser agrees that, at or prior to confirmation of a sale of Notes (other than a sale pursuant to Rule 144A or to Accredited Institutions in transactions that are exempt from the registration requirements of the Act), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the Restricted Period a confirmation or notice substantially to the following effect:

> "The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meanings assigned to them in Regulation S."

Such Initial Purchaser further agrees that it has not entered and will not enter into any contractual arrangement with respect to

the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Company.

(e) Such Initial Purchaser further represents and agrees that (i) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to the expiry of the period of six months from the issue date of the Notes, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (ii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom, and (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issuance of the Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995 or is a person to whom the document may otherwise lawfully be issued or passed on.

(f) Such Initial Purchase agrees not to cause any advertisement of the Notes to be published in any newspaper or periodical or posted in any public place and not to issue any circular relating to the Notes, except such advertisements as include the statements required by Regulation S.

(g) The sales of the Series A Notes pursuant to Regulation S are "offshore transactions" and are not part of a plan or scheme to evade the registration provisions of the Act.

(h) Such Initial Purchaser understands that the Company and, for purposes of the opinions to be delivered to you pursuant to Section 7 hereof, counsel to the Company, General Counsel to the Company and counsel to the Initial Purchasers, will rely upon the accuracy and truth of the foregoing representations and you hereby consent to such reliance.

The terms used in this Section 2 that have meanings assigned to them in Regulation S are used herein as so defined.

Each Initial Purchaser further agrees that, in connection with the Exempt Resales, it will solicit offers to buy the Series A Notes only from, and will offer to sell the Series A Notes only to, the Eligible Purchasers in Exempt Resales.

3. Purchase of the Notes by the Initial Purchasers. On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell $200.0 million in aggregate principal amount of Series A Notes to the several Initial Purchasers and each of the Initial Purchasers, severally and not jointly, agrees to purchase the aggregate principal amount of Series A Notes set opposite that Initial Purchaser's name in Schedule 1 hereto. Each Initial Purchaser will purchase such aggregate principal amount of Series A Notes at an aggregate purchase price equal to 97.0% of the principal amount thereof (the "Purchase Price").

The Company shall not be obligated to deliver any of the Series A Notes to be delivered, except upon payment for all the Series A Notes to be purchased on such Closing Date as provided herein.

4. Delivery of and Payment.

(a) Delivery to the Initial Purchasers of and payment for the Series A Notes shall be made at 9:30 a.m., New York City time, on the Closing Date at the offices of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, or such other time or place as you and the Company shall designate.

(b) One or more Series A Notes in definitive form, registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), or such other names as the Initial Purchasers may request upon at least one business days' notice to the Company, having an aggregate principal amount corresponding to the aggregate principal amount of Series A Note sold pursuant to Eligible Resales to QIBs (collectively, the "Global Note"), shall be delivered by the Company to the Initial Purchasers against payment by the Initial Purchasers of the purchase price thereof by wire transfer of immediately available funds as the Company may direct by written notice delivered to you two business days prior to the Closing Date. The Global Note in definitive form shall be made available to you for inspection not later than 2:00 p.m. on the business day immediately preceding the Closing Date.

(c) Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Initial Purchaser hereunder.

5. Further Agreements of the Company. The Company agrees:

(a) To advise you promptly and, if requested by you, to confirm such advice in writing, of (i) the issuance by any state securities commission of any stop order suspending the qualification or exemption from qualification of any Series A Notes for offering or sale in any jurisdiction, or the initiation of any proceeding for such purpose by the Commission or any state securities commission or other regulatory authority, and (ii) the happening of any event that makes any statement of a material fact made in the Preliminary Offering Memorandum or the Offering Memorandum untrue or which requires the making of any additions to or changes in the Preliminary Offering Memorandum or the Offering Memorandum in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company shall use all commercially reasonable efforts to prevent the issuance of any stop order or order suspending the qualification or exemption of the Series A Notes under any state securities or Blue Sky laws and, if at any time any state securities commission shall issue any stop order suspending the qualification or exemption of the Series A Notes under any state securities or Blue Sky laws, the Company shall use every reasonable effort to obtain the withdrawal or lifting of such order at the earliest possible time.

(b) To furnish to you, as many copies of the Preliminary Offering Memorandum and the Offering Memorandum, and any amendments or supplements thereto, as you may reasonably request. Such copies shall be furnished without charge for the nine month period immediately following the Closing Date. The Company consents to the use of the Preliminary Offering

Memorandum and the Offering Memorandum, and any amendments and supplements thereto required pursuant to this Agreement, by you in connection with the Exempt Resales that are in compliance with this Agreement.

(c) Not to amend or supplement the Offering Memorandum prior to the Closing Date or during the period referred to in (d) below unless you shall previously have been advised of, and shall not have reasonably objected to, such amendment or supplement within a reasonable time, but in any event not longer than five days after being furnished a copy of such amendment or supplement. The Company shall promptly prepare, upon any reasonable request by you, any amendment or supplement to the Offering Memorandum that may be necessary or advisable in connection with Exempt Resales.

(d) If, in connection with any Exempt Resales or market making transactions after the date of this Agreement and prior to the consummation of the Exchange Offer, any event shall occur that, in the judgment of the Company or in the judgment of counsel to you, makes any statement of a material fact in the Offering Memorandum untrue or that requires the making of any additions to or changes in the Offering Memorandum in order to make the statements in the Offering Memorandum, in light of the circumstances at the time that the Offering Memorandum is delivered to prospective Eligible Purchasers, not misleading, or if it is necessary to amend or supplement the Offering Memorandum to comply with all applicable laws, the Company shall promptly notify you of such event and prepare an appropriate amendment or supplement to the Offering Memorandum so that (i) the statements in the Offering Memorandum as amended or supplemented will, in light of the circumstances at the time that the Offering Memorandum is delivered to prospective Eligible Purchasers, not be misleading and (ii) the Offering Memorandum will comply with applicable law.

(e) To cooperate with you and your counsel in connection with the qualification of the Series A Notes for offer and sale by you and by dealers under the state securities or Blue Sky laws of such jurisdictions as you may request (provided, however, that the Company shall not be obligated to qualify as a foreign corporation in any jurisdiction in which it is not now so qualified or to take any action that would subject it to general consent to service of process in any jurisdiction in which it is not now so subject). The Company shall continue such qualification in effect so long as required by law for distribution of the Series A Notes and shall file such consents to service of process or other documents as may be necessary in order to effect such qualification.

(f) Prior to the Closing Date, to furnish to you, as soon as they have been prepared, a copy of any internal consolidated financial statements of the Company for any period subsequent to the period covered by the financial statements appearing in the Offering Memorandum.

(g) To use all commercially reasonable efforts to do and perform all things required to be done and performed under this Agreement by it prior to or after the Closing Date and to satisfy all conditions precedent on its part to the delivery of the Series A Notes.

(h) Not to sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the Act) that would be integrated with the sale of the Series A Notes in a manner that

would require the registration under the Act of the sale to you or the Eligible Purchasers of Series A Notes.

(i) During any period in which the Company is not subject to Section 13 or 15(d) of the Exchange Act within the two year period following the Closing Date, to make available to any registered holder or beneficial owner of Series A Notes in connection with any sale thereof and any prospective purchaser of such Series A Notes from such registered holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act.

(j) To use all commercially reasonable efforts to effect the inclusion of the Notes in the National Association of Securities Dealers, Inc. Automated Quotation System - PORTAL ("PORTAL").

(k) To apply the net proceeds from the sale of the Series A Notes being sold by the Company as set forth in the Offering Memorandum under the caption "Use of Proceeds."

(l) To take such steps as shall be necessary to ensure that the Company shall not become an "investment company" within the meaning of such term under the Investment Company Act of 1940 and the rules and regulations of the Commission thereunder.

6. Expenses. The Company agrees that, whether or not the transactions contemplated by this Agreement are consummated or this Agreement becomes effective or is terminated, to pay all costs, expenses, fees and taxes incident to and in connection with: (i) the preparation, printing and distribution of the Preliminary Offering Memorandum and the Offering Memorandum (including, without limitation, financial statements and exhibits) and all amendments and supplements thereto (but not, however, legal fees and expenses of your counsel incurred in connection therewith), (ii) the issuance and delivery by the Company of the Notes, (iii) the qualification of the Notes for offer and sale under the securities or Blue Sky laws of the several states (including, without limitation, the reasonable fees and disbursements of your counsel relating to such registration or qualification which will be $10,000), (iv) furnishing such copies of the Preliminary Offering Memorandum and the Offering Memorandum, and all amendments and supplements thereto, as may be reasonably requested for use in connection with the Exempt Resales during the nine month period following the Closing Date, (v) the preparation of certificates for the Notes, (vi) the fees, disbursements and expenses of the Company's counsel and accountants, (vii) all expenses and listing fees in connection with the application for quotation of the Series A Notes in PORTAL, (viii) all fees and expenses (including fees and expenses of counsel) of the Company in connection with approval of the Notes by DTC for "book-entry" transfer and (ix) the performance by the Company of their other obligations under this Agreement.

7. Conditions of Initial Purchasers' Obligations. The respective obligations of the Initial Purchasers hereunder are subject to the accuracy, when made and again on the Closing Date (as if made again on and as of such date), of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) No Initial Purchaser shall have discovered and disclosed to the Company on or prior to such Closing Date that the Offering

Memorandum or any amendment or supplement thereto contains an untrue statement of a fact which, in the opinion of Latham & Watkins, counsel for the Initial Purchasers, is material or omits to state a fact which, in the opinion of such counsel, is material and is necessary to make the statements, in the light of the circumstances under which they were made, not misleading.

(b) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the other Operative Documents, the Acquisition Documents, the Credit Documents, the Offering Memorandum, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Initial Purchasers.

(c) Simpson Thacher & Bartlett shall have furnished to the Initial Purchasers, its written opinion, as counsel to the Company, addressed to the Initial Purchasers and dated as of the Closing Date, in the form of Exhibit C hereto:

(d) Fried, Frank, Harris, Shriver & Jacobson shall have furnished to the Initial Purchasers, its written opinion, as counsel to the Company, addressed to the Initial Purchasers and dated as of the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers and their counsel, to the effect that:

(i) None of the issuance, offer or sale of the Series A Notes, the execution, delivery or performance by the Company of this Agreement or the other Operative Documents, compliance by the Company with the provisions hereof or thereof nor consummation by the Company of the transactions contemplated hereby or thereby; none of the execution, delivery or performance by the Company of the Credit Agreement or the other Credit Documents, compliance by the Company with the provisions thereof nor consummation by the Company of the transactions contemplated thereby; and none of the execution, delivery or performance by the Company of the Transaction Agreement or the other Acquisition Documents, compliance by the Company with the provisions thereof nor consummation by the Company of the transactions contemplated thereby (i) requires any consent, approval, authorization or other order of, or registration or filing with, any court, regulatory body, administrative agency or other governmental body, agency or official having authority over government procurement matters (except for those governmental authorizations identified in the Transaction Agreement) or (ii) conflicts or will conflict with or constitutes or will constitute a material breach of, or a material default under any material government procurement contract (limited to our review of the contracts set forth on Exhibit A) or will violate any law, statute, ordinance, governmental rule or regulation regarding U.S. government procurement matters to which it or its property or assets may be subject or will result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to the terms of any agreement or instrument (limited to our review of the contracts set forth on Exhibit A) to which it is a party or

by which it may be bound or to which any of its property or assets is subject pursuant to any government procurement contract.

(ii) The statements under the caption "Risk Factors -- Risks Inherent in Government Contracts" in the Offering Memorandum, insofar as they are statements of law or legal conclusions with respect to government procurement contracts (which statements are identified on Exhibit B), are accurate in all material respects and present fairly the information shown.

The opinion of such counsel may be limited to the laws of the state of New York, and the federal laws of the United States.

(e) William J. LaSalle, Esq. shall have furnished to the Initial Purchasers, his written opinion, as counsel to the Company, addressed to the Initial Purchasers and dated as of the Closing Date, in form and substance reasonably satisfactory to the Initial Purchasers and their counsel, to the effect that:

(i) To the knowledge of such counsel, there are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened, against the Company or to which any of its properties, is subject, that are not disclosed in the Offering Memorandum and which, if adversely decided, are reasonably likely to cause a Material Adverse Effect or to materially affect the issuance of the Notes or the consummation of the other transactions contemplated by the Operative Documents.

(f) The Initial Purchasers shall have received from Latham & Watkins, counsel for the Initial Purchasers, such opinion or opinions, dated such Closing Date, with respect to the issuance and sale of the Series A Notes, the Offering Memorandum and other related matters as the Initial Purchasers may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(g) The Initial Purchasers shall have received letters addressed to the Initial Purchasers, and dated the date hereof and the Closing Date from Coopers & Lybrand L.L.P., independent certified public accountants, substantially in the forms heretofore approved by the Initial Purchasers.

(h) The Initial Purchasers shall have received letters addressed to the Initial Purchasers, and dated the date hereof and the Closing Date from Ernst & Young LLP, independent certified public accountants, substantially in the forms heretofore approved by the Initial Purchasers.

(i) The Company shall have furnished to the Initial Purchasers a certificate, dated such Closing Date, of its Chairman of the Board, its President or a Vice President and its chief financial officer stating that:

(i) The representations, warranties and agreements of the Company in Section 1 are true and correct as of such Closing Date and giving effect to the consummation of the transactions contemplated by the Acquisition Documents, the Credit documents and this Agreement; the Company has complied with all its agreements contained herein; and the condition set forth in Section 7(j) has been fulfilled; and

(ii) They have carefully examined the Preliminary Offering Memorandum and the Offering Memorandum and, in their opinion (A) the Offering Memorandum and the Preliminary Offering Memorandum as of their respective dates and the Offering Memorandum as of the Closing Date, did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (B) since the date of the Offering Memorandum, no event has occurred which should have been set forth in a supplement or amendment to the Offering Memorandum.

(j) (i) The Company shall not have sustained since the date of the latest audited financial statements included in the Offering Memorandum any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Offering Memorandum or (ii) since such date there shall not have been any change in the capital stock or long-term debt of the Company or any change, or any development involving a prospective change, in or affecting the business, management, financial position, shareholders' equity or results of operations of the Company, otherwise than as set forth or contemplated in the Offering Memorandum, the effect of which, in any such case described in clause (i) or (ii), is, in the judgment of the Initial Purchasers, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Notes being delivered on such Closing Date on the terms and in the manner contemplated in the Offering Memorandum.

(k) Prior to or simultaneously with the closing of the transactions contemplated by the Operative Documents, the Company shall have closed the transactions contemplated by the Credit Documents and the Acquisition Documents.

(l) Latham & Watkins shall have been furnished with executed copies of the Acquisition Documents, the Credit Documents, the stockholders agreements, dated the Closing Date, between and among the Lockheed Martin Corporation, Lehman Brothers Capital Partners III, L.P., Frank C. Lanza, Robert V. LaPenta and L-3 Communications Holdings, Inc. and the agreements and plans described in the Offering Memorandum under the caption "Management -- Executive Compensation" and such other documents and opinions, in addition to those set forth above, as they may reasonably require for the purpose of enabling them to review or pass upon the matters referred to in this Agreement and in order to evidence the accuracy, completeness or satisfaction in all material respects of any of the representations, warranties or conditions herein contained.

(m) Subsequent to the execution and delivery of this Agreement (i) no downgrading shall have occurred in the rating accorded the Company's debt securities by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities.

(n) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by Federal or state authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of the Initial Purchasers, impracticable or inadvisable to proceed with the public offering or delivery of the Notes being delivered on such Closing Date on the terms and in the manner contemplated in the Offering Memorandum.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Initial Purchasers.

8. Indemnification and Contribution.

(a) The Company shall indemnify and hold harmless each Initial Purchaser, its officers and employees and each person, if any, who controls any Initial Purchaser within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Notes), to which that Initial Purchaser, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Preliminary Offering Memorandum or the Offering Memorandum or in any amendment or supplement thereto or (B) in any blue sky application or other document prepared or executed by the Company (or based upon any written information furnished by the Company) specifically for the purpose of qualifying any or all of the Series A Notes under the securities laws of any state or other jurisdiction (any such application, document or information being hereinafter called a "Blue Sky Application"), (ii) the omission or alleged omission to state in any Preliminary Offering Memorandum or the Offering Memorandum, or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading or (iii) any act or failure to act or any alleged act or failure to act by any Initial Purchaser

in connection with, or relating in any manner to, the Notes or the offering contemplated hereby, and which is included as part of or referred to in any loss, claim, damage, liability or action arising out of or based upon matters covered by clause (i) or (ii) above (provided that the Company shall not be liable under this clause (iii) to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, claim, damage, liability or action resulted directly from any such acts or failures to act undertaken or omitted to be taken by such Initial Purchaser through its gross negligence or willful misconduct), and shall reimburse each Initial Purchaser and each such officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Initial Purchaser, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Offering Memorandum or the Offering Memorandum, or in any such amendment or supplement, or in any Blue Sky Application, in reliance upon and in conformity with written information concerning such Initial Purchaser furnished to the Company by or on behalf of any Initial Purchaser specifically for inclusion therein; provided further, that the indemnification contained in this paragraph (a) with respect to the Preliminary Offering Memorandum shall not inure to the benefit of any Initial Purchaser (or to the benefit of any officers or employees of any Initial Purchase or of any person controlling such Initial Purchaser) on account of any such loss, claim, damage, liability or action arising from the sale of the Series A Notes by such Initial Purchaser to any person if the untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in the Preliminary Offering Memorandum was corrected in the Offering Memorandum and the Initial Purchaser sold Series A Notes to that person without sending or giving at or prior to the written confirmation of such sale, a copy of the Offering Memorandum (as then amended or supplemented) if the Company has previously furnished sufficient copies thereof to the Initial Purchaser on a timely basis to permit such sending or giving. The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Initial Purchaser or to any officer, employee or controlling person of that Initial Purchaser.

(b) Each Initial Purchaser, severally and not jointly, shall indemnify and hold harmless the Company, its officers and employees, each of its directors, and each person, if any, who controls the Company within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained (A) in any Preliminary Offering Memorandum or the Offering Memorandum or in any amendment or supplement thereto, or (B) in any Blue Sky Application or (ii) the omission or alleged omission to state in any Preliminary Offering Memorandum or the Offering Memorandum, or in any amendment or supplement thereto, or in any Blue Sky Application any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Initial Purchaser

furnished to the Company by or on behalf of that Initial Purchaser specifically for inclusion therein, and shall reimburse the Company and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Initial Purchaser may otherwise have to the Company or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, any indemnified party shall have the right to employ separate counsel in any such action and to participate in the defense thereof but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the employment thereof has been specifically authorized by the indemnifying party in writing, (ii) such indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party and in the reasonable judgement of such counsel it is advisable for such indemnified party to employ separate counsel or (iii) the indemnifying party has failed to assume the defense of such action and employ counsel reasonably satisfactory to the indemnified party, in which case, if such indemnified party notifies the indemnifying party in writing that it elects to employ separate counsel at the expense of the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to one local counsel) at any time for all such indemnified parties, which firm shall be designated in writing by Lehman Brothers Inc., if the indemnified parties under this Section 8 consist of any Initial Purchaser or any of their respective officers, employees or controlling persons, or by the Company, if the indemnified parties under this Section consist of the Company or any of the Company's directors, officers, employees or controlling persons. Each indemnified party, as a condition of the indemnity agreements contained in Section 8, shall use all commercially reasonable efforts to cooperate with the indemnifying party in the defense of any such action or claim. No

indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment of the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Initial Purchasers on the other from the offering of the Series A Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Initial Purchasers on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Initial Purchasers on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Series A Notes purchased under this Agreement (before deducting expenses) received by the Company, on the one hand, and the total discounts and commissions received by the Initial Purchasers with respect to the Series A Notes purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the Series A Notes under this Agreement, in each case as set forth in the table on the cover page of the Offering Memorandum. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Initial Purchasers, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Initial Purchasers agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Initial Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding

the provisions of this Section 8(d), no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Series A Notes purchased by it was resold to Eligible Purchasers exceeds the amount of any damages which such Initial Purchaser has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Initial Purchasers' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective underwriting obligations and not joint.

(e) The Initial Purchasers severally confirm and the Company acknowledges that the last paragraph on the cover page, the stabilization legend on page iii and the last two paragraphs under the caption "Plan of Distribution" constitute the only information concerning such Initial Purchasers furnished in writing to the Company by or on behalf of the Initial Purchasers specifically for inclusion in the Offering Memorandum.

9. Termination. The obligations of the Initial Purchasers hereunder may be terminated by Lehman Brothers Inc. by notice given to the Company prior to delivery of and payment for the Series A Notes if, prior to that time, any of the events described in Sections 7(j), 7(m) or 7(n), shall have occurred or if the Initial Purchasers shall decline to purchase the Series A Notes for any reason permitted under this Agreement.

10. Reimbursement of Initial Purchasers' Expenses. If the Company shall fail to tender the Series A Notes for delivery to the Initial Purchasers by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or because any other condition of the Initial Purchasers' obligations hereunder required to be fulfilled by the Company is not fulfilled, the Company will reimburse the Initial Purchasers for all reasonable out-of-pocket expenses (including the fees and disbursements of its counsel) incurred by the Initial Purchasers in connection with this Agreement and the proposed purchase of the Series A Notes, and upon demand the Company shall pay the full amount thereof to Lehman Brothers Inc.

11. Notices, etc. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Initial Purchasers, shall be delivered or sent by mail, telex or facsimile transmission to Lehman Brothers Inc., Three World Financial Center, New York, New York 10285, Attention: Syndicate Department (Fax: 212-526-6588), with a copy to Latham & Watkins, 885 Third Avenue, New York, New York 10022, Attention: Kirk A. Davenport (Fax: 212-751-4864) and, in the case of any notice pursuant to Section 8, to the Director of Litigation, Office of the General Counsel, Lehman Brothers Inc., Three World Financial Center, 10th Floor, New York, NY 10285; and

(b) if to the Company, shall be delivered or sent by mail, telex or facsimile transmission to L-3 Communications Corporation, 600 Third Avenue, 34th Floor, New York, New York 10016, Attention: Chief Financial Officer (Fax: 212-

805-5470), with a copy to Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, Attention: Andrew R. Keller (Fax: (212) 455-2502).

Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Initial Purchasers by Lehman Brothers Inc.

12. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Initial Purchasers, the Company, and their respective personal representatives and successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (i) the representations, warranties, indemnities and agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of the person or persons, if any, who control any Initial Purchaser within the meaning of Section 15 of the Securities Act.

13. Survival. The respective indemnities, representations, warranties and agreements of the Company and the Initial Purchasers contained in this Agreement or made by or on behalf on them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Notes and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

14. Definition of the Terms "Business Day" and "Subsidiary." For purposes of this Agreement, (a) "business day" means any day on which the New York Stock Exchange, Inc. is open for trading and (b) "subsidiary" has the meaning set forth in Rule 405 of the Rules and Regulations.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York.

16. Counterparts. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

17. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

[signature pages follow]

If the foregoing correctly sets forth the agreement between the Company and the Initial Purchasers, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

L-3 Communications Corporation

By _____
Name:
Title:

Accepted:

Lehman Brothers Inc.
BancAmerica Securities, Inc.

By Lehman Brothers Inc.

By _____
Authorized Representative

If the foregoing correctly sets forth the agreement between the Company and the Initial Purchasers, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

L-3 Communications Corporation

By _____
Name:
Title:

Accepted:

Lehman Brothers Inc.
BancAmerica Securities, Inc.

By Lehman Brothers Inc.

By _____
Authorized Representative

SCHEDULE 1

Initial Purchaser	Principal Amount of Notes
Lehman Brothers Inc.	$202,500,000
BancAmerica Securities, Inc	22,500,000
Total	$225,000,000

STOCKHOLDERS AGREEMENT

DATED AS OF APRIL 30, 1997

Among

L-3 COMMUNICATIONS HOLDINGS, INC.

LOCKHEED MARTIN CORPORATION,

LEHMAN BROTHERS CAPITAL PARTNERS III, L.P.,

LEHMAN BROTHERS HOLDINGS INC.,

FRANK C. LANZA,

and

ROBERT V. LAPENTA

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TERMINATION

ARTICLE VII
MISCELLANEOUS

STOCKHOLDERS AGREEMENT

STOCKHOLDERS AGREEMENT dated as of April 30, 1997 among L-3 Communications Holdings, Inc., a Delaware corporation (the "Company"), Lockheed Martin Corporation, a Maryland corporation ("Lockheed Martin"), Lehman Brothers Capital Partners III, L.P., a Delaware limited partnership ("Lehman"), Lehman Brothers Holders Inc., a Delaware corporation and the general partner of Lehman ("LBHI"), Frank C. Lanza ("Lanza") and Robert V. LaPenta ("LaPenta" and, together with Lanza, the "Management Investors"). Each of the parties to this Agreement (other than the Company) and any other Person (as hereinafter defined) who or which shall become a party to or agree to be bound by the terms of this Agreement after the date hereof is sometimes hereinafter referred to as a "Stockholder."

WITNESSETH

WHEREAS, this Agreement shall become effective (the "Effective Date") on the date of, and simultaneously with, the Closing under the Subscription Agreements (as hereinafter defined);

WHEREAS, as of the Effective Date, the Company will have an authorized capital stock consisting of 25,000,000 shares of Class A common stock, par value $0.01 per share (the "Class A Common Stock"), 3,000,000 shares of Class B common stock, par value $0.01 per share (the "Class B Common Stock") and 3,000,000 shares of Class C common stock, par value $0.01 per share (the "Class C Common Stock") and, together with the Class A Common Stock, the "Common Stock").

WHEREAS, the Company, Lockheed Martin, Lehman and the Management Investors have entered into a Transaction Agreement dated as of March 28, 1997 (the "Transaction Agreement") pursuant to which, among other things, the Company has agreed, subject to the terms and conditions thereof, to purchase certain assets and assume certain related liabilities of Lockheed Martin;

WHEREAS, in connection with the consummation of the transactions pursuant to the Transaction Agreement, each of Lockheed Martin, Lehman and LBHI has entered into a Common Stock Subscription Agreement with the Company dated as of the date of this Agreement pursuant to which each such Stockholder has agreed, subject to the terms and conditions thereof, to purchase shares of Class A Common Stock;

WHEREAS, in connection with the consummation of the transactions pursuant to the Transaction Agreement, each of the Management Investors has entered into a Common Stock Subscription Agreement with the Company dated as of the date of this Agreement (such Common Stock Subscription Agreements, together with the Common Stock Subscription Agreements referred to in the preceding recital, the "Subscription Agreements") pursuant to which each such Management Investor has agreed, subject to the terms and conditions thereof, to purchase shares of Class B Common Stock; and

WHEREAS, the parties hereto desire to restrict the sale, assignment, transfer, encumbrance or other disposition of the Shares (as hereinafter defined) and to provide for certain rights and obligations and other agreements in respect of the Shares, all as hereinafter provided.

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

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. As used in this Agreement, the following terms have the following meanings:

"Acquisition Transaction" shall have the meaning set forth in Section 4.6.

"Adverse Clearance Status" shall have the meaning set forth in Section 4.3.

"Affiliate", as applied to any Person, shall mean any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise. Notwithstanding the foregoing, for purposes of this Agreement, Lockheed Martin shall not be considered an Affiliate of Lehman or of either of the Management Investors and the employee benefit plans of Lockheed Martin and its Subsidiaries shall not be considered Affiliates of Lockheed Martin.

"Board of Directors" shall mean the Board of Directors of the Company.

"Business" shall have the meaning set forth in the Transaction Agreement.

"Buyer's Notice" shall have the meaning set forth in Section 2.5(c).

"Buyout Notice" shall have the meaning set forth in Section 2.7.

"Bylaws" shall mean the Bylaws of the Company, in the form of Exhibit A, as amended from time to time, consistent with the terms hereof.

"Certificate of Incorporation" shall mean the Amended and Restated Certificate of Incorporation of the Company, in the form of Exhibit B, as amended from time to time, consistent with the terms hereof.

"Charter Documents" shall have the meaning set forth in Section 5.2(a).

"Class A Common Stock" shall have the meaning set forth in the recitals of this Agreement.

"Class B Common Stock" shall have the meaning set forth in the recitals of this Agreement.

"Class C Common Stock" shall have the meaning set forth in the recitals of this Agreement.

"Common Stock" shall have the meaning set forth in the recitals of this Agreement.

"Company" shall have the meaning set forth in the preamble of this Agreement.

"Effective Date" shall have the meaning set forth in the recitals of this Agreement.

"FOCI" shall have the meaning set forth in Section 4.3.

"Initial Public Offering" shall mean the initial Public Offering (other than pursuant to a registration statement on Form S-8 or otherwise relating to equity securities issuable under any employee benefit plan of the Company).

"Lanza" shall have the meaning set forth in the preamble of this Agreement.

"LaPenta" shall have the meaning set forth in the preamble of this Agreement.

"Lehman" shall have the meaning set forth in the preamble of this Agreement.

"LBHI" shall have the meaning set forth in the preamble of this Agreement.

"Lehman Nominees" shall have the meaning set forth in Section 5.1(a).

"Lockheed Martin" shall have the meaning set forth in the preamble of this Agreement.

"Lockheed Martin Nominees" shall have the meaning set forth in Section 5.1(a).

"Management Investors" shall have the meaning set forth in the preamble of this Agreement.

"Offer Price" shall have the meaning set forth in Section 2.5(b).

"Offered Shares" shall have the meaning set forth in Section 2.5(b).

"Option Plan" shall mean the 1997 Option Plan for Key Employees of L-3 Communications Holdings, Inc., in the form of Exhibit E hereto.

"Payment in Full of the Preference Amount" shall have the meaning given such term in the Certificate of Incorporation.

"Permitted Transferee" shall mean:

(i) in the case of Lehman or LBHI and Permitted Transferees of Lehman and LBHI, (A) LBHI or Lehman, as the case may be, or any controlled Affiliate (other than an individual) of LBHI, (B) any general or limited partner, director, officer or employee of Lehman, LBHI or any controlled Affiliate (other than an individual) of LBHI, (C) the heirs, executors, administrators, testamentary trustees, legatees or beneficiaries of any of the individuals referred to in clause (B), (D) any trust, the beneficiaries of which include only (1) Lehman, (2) Permitted Transferees referred to in clauses (A), (B) and (C) and (3) spouses and lineal descendants of Permitted Transferees referred to in clause (B) and (E) a corporation or partnership, a majority of the equity of which is owned and controlled by Lehman and/or Permitted Transferees referred to in clauses (A), (B), (C) and (D);

(ii) in the case of Lockheed Martin and Permitted Transferees of Lockheed Martin, any controlled Affiliate of Lockheed Martin; and

(iii) in the case of each Management Investor and Permitted Transferees of such Management Investor, his or her spouse or any of his or her lineal descendants or legatees or a testamentary trust for such legatees, or a trust or individual retirement account, the beneficiaries of which or a corporation or partnership the stockholders or partners of which include only such Stockholder, his or her spouse and his or her lineal descendants or a corporation or partnership wholly owned by them;

provided, that any such Permitted Transferee referred to in clauses (i)-(iii) agrees in writing to be bound by the terms of this Agreement in accordance with Section 2.2.

"Person" shall mean an individual, partnership, corporation, business trust, joint stock company, limited liability company, unincorporated association, joint venture or other entity of whatever nature.

"Proposed Transferee" shall have the meaning set forth in Section 2.6.

"Public Offering" shall mean any underwritten public offering of equity securities of the Company pursuant to an effective registration statement under the Securities Act.

"Put" shall have the meaning set forth in Section 4.3.

"Reduced Transfer Price" shall have the meaning set forth in Section 2.5(d).

"Reduced Transfer Price Notice" shall have the meaning set forth in Section 2.5(d).

"Regulatory Event Notice" shall have the meaning set forth in Section 4.3.

"Regulatory Portion" shall have the meaning set forth in Section 4.3.

"Restriction Lapse" shall have the meaning given such term in the Certificate of Incorporation.

"Second Reduction Transfer Price" shall have the meaning set forth in Section 2.5(e).

"Second Reduction Transfer Price Notice" shall have the meaning set forth in Section 2.5(e).

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Seller" shall have the meaning set forth in Section 2.5(b).

"Seller's Notice" shall have the meaning set forth in Section 2.5(b).

"Share Equivalents" shall mean securities of any kind issued by the Company convertible into or exchangeable for Shares or options, warrants or other rights to purchase or subscribe for Shares or securities convertible into or exchangeable for Shares.

"Shares" shall mean, with respect to any Stockholder, shares of Common Stock, whether now owned or hereafter acquired (including upon exercise of options, preemptive rights or otherwise), held by such Stockholder.

"Shares Subject to Forfeiture" shall have the meaning given such term in the Certificate of Incorporation.

"Stockholder" shall have the meaning set forth in the preamble of this Agreement.

"Subscription Agreements" shall have the meaning set forth in the recitals of this Agreement.

"Subsidiary" shall mean, with respect to any Person, any corporation or other entity of which a majority of the capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar function at the time directly or indirectly owned by such Person.

"Third Party" shall mean any prospective Transferee of Shares (other than the Company) that is not a Permitted Transferee of the Stockholder proposing the Transfer of such Shares to such prospective Transferee.

"Transaction Agreement" shall have the meaning set forth in the recitals of this Agreement.

"Transfer" shall have the meaning set forth in Section 2.1.

"Transfer Closing Date" shall have the meaning set forth in Section 3.1.

"Transferee" shall mean any Person who or which acquires Shares from a Stockholder or a Transferee (including Permitted Transferees) of a Stockholder subject to this Agreement.

ARTICLE II
RESTRICTIONS ON TRANSFERS

Section 2.1. Transfers in Accordance with this Agreement. No Stockholder shall, directly or indirectly, transfer, sell, assign, pledge, hypothecate, encumber, or otherwise dispose of all or any portion of any Shares or any economic interest therein (including without limitation by means of any participation or swap transaction) (each, a "Transfer") to any Person, except in compliance with the Securities Act, applicable state and foreign securities laws and this Agreement. No Stockholder shall Transfer any Shares if the consummation of such Transfer may result in the Company becoming subject to FOCI or Adverse Clearance Status. Any attempt to Transfer any Shares in violation of the terms of this Agreement shall be null and void, and neither the Company, nor any transfer agent shall register upon its books any Transfer of Shares by a Stockholder to any Person except a Transfer in accordance with this Agreement.

Section 2.2. Agreement to be Bound. No Transfer of Shares (other than Transfers (i) in the Initial Public Offering, if any, or (ii) to the Company) shall be effective unless (i) the certificates representing such Shares issued to the Transferee shall bear the legend provided in Section 2.3 and (ii) the Transferee, if not already a party hereto, shall have executed and delivered to each other party hereto, as a condition precedent to such Transfer, an instrument or instruments substantially in the form of Exhibit D or otherwise reasonably satisfactory to such parties confirming that the Transferee agrees to be bound by the terms of this Agreement with respect to the Shares so Transferred to the same extent applicable to the Transferor thereof.

Section 2.3. Legend. A copy of this Agreement shall be filed with the Secretary of the Company and kept with the records of the Company. Each Stockholder hereby agrees that each certificate representing Shares issued to any Stockholder, or any certificate issued in exchange for any similarly legended certificate, shall bear a legend reading substantially as follows:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY BE OFFERED AND SOLD ONLY IF SO REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.
>
> THE SHARES REPRESENTED BY THIS CERTIFICATE ALSO ARE SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE STOCKHOLDERS AGREEMENT, DATED AS OF APRIL 30, 1997, COPIES OF WHICH MAY BE OBTAINED FROM L-3 COMMUNICATIONS HOLDINGS, INC. (THE "COMPANY"). NO TRANSFER OF SUCH SHARES WILL BE MADE ON THE BOOKS OF THE COMPANY UNLESS ACCOMPANIED BY EVIDENCE OF COMPLIANCE WITH THE TERMS OF SUCH AGREEMENT.

Section 2.4. Transfers to Permitted Transferees and the Company. (a) None of the restrictions contained in this Agreement with respect to Transfers of Shares (other than Sections 2.2, 2.3 and 2.4(b)) shall apply to any Transfer of Shares by any Stockholder (i) to a Permitted Transferee of such Stockholder or (ii) to the Company.

(b) Each Permitted Transferee of any Stockholder shall, and such Stockholder shall cause such Permitted Transferee to, transfer back to such

Stockholder any Shares it owns prior to such Permitted Transferee ceasing to be a Permitted Transferee of such Stockholder.

Section 2.5. No Transfer Period; Rights of First Offer. (a) The Stockholders may not Transfer Shares prior to the first anniversary of the Effective Date, except for Transfers referred to in Section 2.4. Commencing on the first anniversary of the Effective Date, with the exception of Transfers in accordance with Section 2.4, each Stockholder may Transfer Shares only following compliance and in accordance with the provisions of this Section 2.5 and, as applicable, Sections 2.6 or 2.7.

(b) Any Stockholder desiring to Transfer Shares to any Third Party (such Stockholder, in such capacity, a "Seller") shall give written notice (a "Seller's Notice") to the other Stockholders and to the Company (i) stating that such Seller desires to make such Transfer and (ii) setting forth the number of Shares proposed to be Transferred (the "Offered Shares") and the cash price per share that such Seller proposes to be paid for such Offered Shares (the "Offer Price") and, to the extent then known, the other terms and conditions of such Transfer, including the identity of any proposed transferee. Each Seller's Notice shall constitute an irrevocable offer by the Seller to the other Stockholders and to the Company of the Offered Shares at the Offer Price in cash and in accordance with the terms of this Agreement.

(c) Within 60 days after receipt of a Seller's Notice, each other Stockholder may elect to purchase, on a pro rata basis based upon the total number of outstanding Shares then held by such other Stockholders (provided that any Offered Shares thereby offered to any other Stockholder that does not elect to purchase such Offered Shares shall be reallocated (on a pro rata basis based on the total number of Offered Shares each other Stockholder elected to purchase) among the remaining other Stockholders who have elected to exercise their option to purchase Offered Shares) all (but not less than all) of the Offered Shares allocated to it at the Offer Price in cash. The Company may elect, within 10 days following the expiration of such 60-day period, to purchase at the Offer Price in cash all (but not less than all) of the Offered Shares as to which no election to purchase is made by the other Stockholders within such 60-day period. The election to purchase such Offered Shares shall be exercisable by delivery of a notice (a "Buyer's Notice") to the Seller, with a copy to the Company (where the Company is not the electing party), stating (i) that such electing party elects to purchase such Offered Shares at the Offer Price in cash, (ii) that such election is irrevocable and (iii) the source of financing for such purchase, which financing shall not be subject to any material contingencies. Delivery of a Buyer's Notice shall constitute a contract among the Seller and the electing party that has delivered such Buyer's Notice for the sale and purchase of the Offered Shares at the Offer Price in cash and upon the other applicable terms and conditions set forth in the Seller's Notice.

(d) If the other Stockholders and the Company fail to elect to purchase all of the Offered Shares within the time periods specified in Section 2.5(c), then the Seller may, within a period of 90 days following the expiration of such time periods specified in Section 2.5(c), complete the Transfer of all or any of the Offered Shares not purchased by the other Stockholders or the Company to one or more Third Parties at a price per share not less than 95% of the Offer Price; provided that if the purchase price per share (the "Reduced Transfer Price") proposed to be paid by any such Third Party for Offered Shares is less than 95% of the Offer Price, the Seller

shall promptly provide written notice (the "Reduced Transfer Price Notice") to the other Stockholders and the Company of such intended Transfer (including the material terms and conditions thereof) and the other Stockholders and the Company shall have the right, exercisable by delivery of a written election notice to the Seller within 30 days of receipt of such notice, to purchase such Offered Shares at the Reduced Transfer Price and otherwise substantially in accordance with the terms and conditions of the intended Transfer to such Third Party, following which 30-day period, if no such election is made, Section 2.5(e) shall apply.

(e) If the other Stockholders and the Company fail to elect to purchase all of the Offered Shares at the Reduced Transfer Price in cash within the 30-day period specified in Section 2.5(d), then the Seller may, within a period of 90 days following the expiration of such 30-day period, complete the Transfer of all or any of the Offered Shares to one or more Third Parties at a price per share not less than 95% of the Reduced Transfer Price; provided that if the purchase price per share (the "Second Reduced Transfer Price") proposed to be paid by any such Third Party for Offered Shares is less than 95% of the Reduced Transfer Price, the Seller shall promptly provide written notice (the "Second Transfer Price Notice") to the other Stockholders and the Company of such intended Transfer (including the material terms and conditions thereof) and the other Stockholders and the Company shall have the right, exercisable by delivery of a written election notice to the Seller within 30 days of receipt of such notice, to purchase such Offered Shares at the Second Reduced Transfer Price and otherwise substantially in accordance with the terms and conditions of the intended Transfer to such Third Party.

(f) If the other Stockholders and the Company fail to elect to purchase all of the Offered Shares at the Offer Price (or, if applicable, the Reduced Transfer Price or Second Reduced Transfer Price) in cash and the Seller shall not have Transferred the Offered Shares to any Transferee prior to the expiration of the 90-day period specified in Section 2.5(e), the rights of first offer under this Section 2.5 shall again apply in connection with any subsequent Transfer or offer to Transfer shares of Common Stock by such Sellers.

Section 2.6. Tag Along Right. (a) If at any time on or after the first anniversary of the Effective Date and prior to the consummation of an Initial Public Offering, Lehman and/or LBHI (and/or their Permitted Transferees) proposes to Transfer Shares to any Person (other than a Permitted Transferee) (each, a "Proposed Transferee") in any transaction or series of related transactions and as a result of such Transfer, Lehman and LBHI (with their Permitted Transferees) would no longer own at least 35% of the issued and outstanding Common Stock, then Lehman shall send written notice to each Management Investor and Lockheed Martin which shall state (i) that Lehman and/or LBHI and/or their Permitted Transferees desires to make such a Transfer, (ii) the identity of the Proposed Transferee and the number of Shares proposed to be sold or otherwise transferred, (iii) the proposed purchase price per Share to be paid and the other terms and conditions of such Transfer and (iv) the projected closing date of such Transfer, which in no event shall be prior to 30 days after the giving of such written notice to each Management Investor and Lockheed Martin.

(b) For a period of 30 days after the giving of the notice pursuant to clause (a) above, each Management Investor and Lockheed Martin shall have the right to sell to the Proposed Transferees in such Transfer at

the same price and upon the same terms and conditions as Lehman, LBHI (and/or their Permitted Transferees) that percentage of the total number of Shares held by such Management Investor or Lockheed Martin, as the case may be, equal to the percentage of the total number of Shares then held by Lehman, LBHI and their Permitted Transferees proposed to be Transferred to such Proposed Transferee; provided that neither Management Investor shall have the right to sell any of its Shares Subject to Forfeiture pursuant to this Section 2.6(b) if the price per share to be obtained by Lehman in such Transfer is less than $6.47.

(c) The rights of each Management Investor and Lockheed Martin under Section 2.6(b) shall be exercisable by delivering written notice thereof, prior to the expiration of the 30-day period referred to in clause (b) above, to Lehman with a copy to the Company; provided that Lockheed Martin shall not be entitled to exercise any rights under this Section 2.6 if neither of the Management Investors exercises his rights under this Section 2.6. The failure of such Management Investor or Lockheed Martin to respond within such period to Lehman shall be deemed to be a waiver of rights under this Section 2.6.

(d) In the event that any Management Investor or Lockheed Martin exercises rights under Section 2.6(b) and following such exercise there is a change in the price or terms of the proposed transaction between Lehman and the Proposed Transferee, then Lehman shall promptly notify such Management Investor and Lockheed Martin of the revised price or terms and such Management Investor or Lockheed Martin, as the case may be, shall have the right to exercise its rights under Section 2.6(b) by notice to Lehman within two business days of receipt of the notice from Lehman. The failure of such Management Investor or Lockheed Martin to respond within such two-day period to Lehman shall be deemed to be a waiver of his or its rights under this Section 2.6.

(e) For purposes of determining the number of Shares a Management Investor may Transfer pursuant to this Section 2.6, such Management Investor shall be deemed to hold the shares of Common Stock issuable upon exercise of any outstanding options to purchase Common Stock he holds so long as (i) such options have vested and (ii) the exercise price of such options is below the proposed price to be paid by the Proposed Transferee in the Transfer to which such determination relates.

Section 2.7. Bring Along Right. (a) If at any time on or after the first anniversary of the Effective Date and prior to the consummation of an Initial Public Offering, Lehman and/or LBHI (and/or their Permitted Transferees) proposes to sell Shares to a Third Party other than an Affiliate in any bona fide arm's-length transaction or series of related transactions and as a result of such sale Lehman and LBHI with their Permitted Transferees would cease to own at least 35% of the issued and outstanding Common Stock, then Lehman shall have the right to deliver a written notice (a "Buyout Notice") to each Management Investor (with a copy to Lockheed Martin) which shall state (i) that Lehman proposes to effect such transaction, (ii) the identity of the Third Party, the number of Shares to be sold and the proposed purchase price per Share to be paid and any other terms and conditions, and (iii) the projected closing date of such sale. Each such Management Investor agrees that, upon receipt of a Buyout Notice, each such Management Investor (and his Permitted Transferees) shall be obligated to sell in such transaction that percentage of the total number of Shares held by such Management Investor (determined on the basis set forth in Section 2.6(e))

equal to the percentage of the total number of Shares then held by Lehman and LBHI and their Permitted Transferees to be sold in such transaction upon the terms and conditions of such transaction (and otherwise take all necessary action to cause consummation of the proposed transaction; provided, however, that each such Management Investor shall only be obligated as provided above in this Section 2.7 if each such Management Investor receives the same per Share consideration as Lehman and LBHI (and/or their Permitted Transferees); and provided further that in no event shall any Management Investor be required to make any representations or provide any indemnities other than on a proportionate basis and other than with respect to matters relating solely to Lehman and LBHI (and/or its Permitted Transferees), such as representations as to title to Shares to be transferred by Lehman and LBHI or their Permitted Transferees.

(b) At any time that Lehman exercises its rights under this Section 2.7, Lockheed Martin shall have the right, but not the obligation, to sell in the transaction specified in the Buyout Notice at the same price and upon the same terms and conditions as Lehman and/or LBHI (and/or their Permitted Transferees) and the Management Investors that percentage of the total number of Shares held by Lockheed Martin equal to the percentage of the total number of Shares then held by Lehman and LBHI and their Permitted Transferees to be sold in such transaction. The rights of Lockheed Martin under this Section 2.7(b) shall be exercisable by delivering written notice thereof at least 10 days prior to the proposed closing date of such transaction.

Section 2.8. Registration Rights. The Company hereby grants to each Stockholder the registration and other rights set forth in, and each Stockholder agrees to comply with the terms and conditions contained in, Exhibit C.

ARTICLE III
CLOSING

Section 3.1. Closing. Any Stockholders acquiring or Transferring any Shares pursuant to Section 2.5 shall mutually determine a closing date (the "Transfer Closing Date") which, subject to any applicable regulatory waiting periods, shall not be more than 60 days after the last notice is given with respect to such Transfer pursuant to Section 2.5 or after the expiration of the last notice period pursuant to Section 2.5 applicable to such Transfer. The closing shall be held at 10:00 a.m., local time, on the Transfer Closing Date at the principal office of the Company, or at such other time and/or place as the parties may mutually agree.

Section 3.2. Deliveries at Closing; Method of Payment of Purchase Price. On the Transfer Closing Date, each selling Stockholder shall deliver (i) certificates representing the Shares being sold, free and clear of any lien, claim or encumbrance, and (ii) such other documents, including evidence of ownership and authority, as the Transferees may reasonably request. The purchase price shall be paid by wire transfer of immediately available funds no later than 2:00 p.m. on the Transfer Closing Date.

ARTICLE IV
ADDITIONAL RIGHTS AND OBLIGATIONS OF STOCKHOLDERS AND THE COMPANY

Section 4.1. Preemptive Rights. If the Company shall (other than in connection with the issuance of Shares or Share Equivalents (i) to employees, officers and directors of or any of its direct or indirect subsidiaries with respect to any employee benefit plan, incentive award program or other compensation arrangement approved by the affirmative vote of a majority of the outstanding shares and (ii) as all or a portion of the consideration for the purchase of capital stock or assets of another Person) (A) issue any Shares, (B) issue any Share Equivalents or (C) enter into any contracts, commitments, agreements, understandings or arrangements of any kind relating to the issuance of any Shares or Share Equivalents (in each case other than in connection with the Initial Public Offering), each Stockholder shall have the right to purchase that number of Shares (or Share Equivalents, as the case may be) at the same purchase price as the price for the additional Shares (or Share Equivalents) to be issued so that, after the issuance all of such Shares (or Share Equivalents), together with all Shares (or Share Equivalents) to be issued pursuant to this Section 4.1 in connection therewith, the Stockholder would, in the aggregate, hold the same proportional interest of the outstanding Shares (assuming, in the case of an issuance of Share Equivalents, the conversion, exercise or exchange thereof) as was held by such Stockholder prior to the issuance of such additional Shares (or Share Equivalents).

Section 4.2. Future Services. The Company agrees that Lehman Brothers Inc. ("Lehman Brothers") shall have the right, but not the obligation, which right shall be exercisable in Lehman Brothers' sole discretion, to provide investment banking services to the Company on an exclusive basis for a period of five years from the Effective Date (the "Exclusivity Period"); provided that as to acquisitions undertaken by the Company for cash, the Exclusivity Period shall be the three year period after the Effective Date. Such services may include arranging senior and subordinated debt financing for the Company, underwriting on a sole managed basis or acting as the sole initial purchaser or placement agent for the Company's or its affiliates' debt and/or equity securities, acting as the exclusive financial advisor to the Company with respect to any mergers, acquisitions or divestitures for which the services of an investment banking firm are utilized and providing other financial advisory services on an exclusive basis. In the event that Lehman Brothers agrees to provide any investment banking services to the Company, Lehman Brothers shall be paid fees to be mutually agreed upon based on fees which are competitive based upon similar transactions and practices in the investment banking industry. The Company acknowledges that Lehman Brothers may determine in its sole discretion for any reason (including, without limitation, the results of its due diligence investigation, a material change in the Company's financial condition, business, management, prospects or value, the lack of appropriate internal Lehman Brothers' committee approvals or then current market conditions) not to provide such investment banking services to the Company. In the event that Lehman Brothers elects not to provide such services to the Company with respect to any particular transaction, nothing contained herein shall be deemed to prevent the Company from utilizing the services of another investment banking firm for such transaction or to require the Company to pay a fee to Lehman Brothers with respect to such transaction, but such retention of another investment banking firm shall be without prejudice to Lehman Brothers' rights hereunder with respect to subsequent transactions.

Section 4.3. Regulatory Event. If (a) the Company receives notification from a representative of the Department of Defense or any other U.S. government department, agency or authority that the ownership of Shares by Lehman and/or LBHI or the terms and provisions of this Agreement or the Charter Documents (i) causes the Company to be under impermissible foreign ownership, control or influence ("FOCI") within the meaning of Section 721 of Title VII of the Defense Production Act of 1950, as amended by Section 5021 of the Omnibus Trade and Competitiveness Act of 1988, or (ii) materially adversely affects the ability of the Company to maintain or obtain Department of Defense or other U.S. government department, agency or authority security clearance of the level held by the Business and their employees on the Effective Date or which are necessary or desirable for the Company to perform and to bid competitively on U.S. government contracts and to participate in joint ventures formed to bid on or perform U.S. government contracts of the type the Business is eligible to bid on or participate in, respectively, on the Effective Date (any of the matters described in this clause (ii) being referred to as "Adverse Clearance Status"), and such FOCI or Adverse Clearance Status is not a result of a change in (A) the ownership of Lehman or LBHI from the ownership thereof as it exists as of the Effective Date or (B) applicable law, regulations and decrees as in effect as of the Effective Date, Lehman and/or LBHI may, within 60 days of becoming aware of such notification, upon delivery of a written notice (a "Regulatory Event Notice") to the Company, require the Company (i) to repurchase (the "Put") such portion of the Shares then held by Lehman and/or LBHI required to eliminate such FOCI or Adverse Clearance Status (the "Regulatory Portion") for an amount in cash equal to the fair market value of the shares subject to the Put as determined by an investment bank of national reputation which is mutually acceptable to the Company (as determined by the Board of Directors of the Company without the participation by any directors designated by Lehman pursuant to this Agreement) and Lehman or (ii) to commence a Public Offering which shall include the registration and offering of the Regulatory Portion in accordance with the registration procedures contained in Exhibit C; provided, that prior to delivery of any Regulatory Event Notice Lehman and/or LBHI shall have complied with Section 4.4; and provided further, that the Company shall not be required to take any action under this Section 4.3 that it is prohibited from taking under the terms of any of its financing agreements or under applicable law.

Section 4.4. Regulatory Compliance. (a) If any of the circumstances described in Section 4.3 occur and would (x) cause the Company to be under FOCI or (y) result in Adverse Clearance Status and such FOCI and Adverse Clearance Status, if any, may be eliminated to the complete satisfaction of all applicable U.S. government departments, agencies or authorities solely by the adoption by Lehman or LBHI or the Board of Directors of the Company of governance procedures or board resolutions insulating the Company from impermissible control or influence of any foreign entity in accordance with the National Industrial Security Program Operating Manual (DOD 5220.22M), then Lehman or LBHI or the Board of Directors of the Company, shall adopt such procedures or board resolutions, provided that such procedures and/or board resolutions do not contravene and are consistent with applicable law and do not materially and adversely affect the governance and other rights (whether exercised directly or in accordance with such procedures) of Lehman or LBHI contained in this Agreement and the Charter Documents and any other agreements or documents relating thereto.

(b) If such FOCI and Adverse Clearance Status, if any, are not eliminated following compliance with paragraph (a) above, and such FOCI and

Adverse Clearance Status, if any, may be eliminated by a Transfer of Shares held by Lehman or LBHI to an Affiliate, Lehman or LBHI, as the case may be, shall use its reasonable efforts to effectuate such Transfer, provided that any such Transfer shall not contravene, and is made in compliance with, Lehman's and/or LBHI's customary business practices.

(c) If there is a change in the ownership of Lehman from the ownership thereof as it exists as of the Effective Date and such change in ownership causes the Company to be under impermissible FOCI or otherwise results in an Adverse Clearance Status, and such FOCI or Adverse Clearance Status, as the case may be, cannot be eliminated through the procedures contemplated by Section 4.4(a) or Section 4.4(b), the Company shall have the option, exercisable within 30 days after it concludes that the measures contemplated by Section 4.4(a) and Section 4.4(b) are not sufficient to eliminate the FOCI or Adverse Clearance Status, to purchase (the "Call") the Regulatory Portion of the Shares then held by Lehman and/or LBHI for an amount in cash equal to the fair market value of the Shares subject to the Call as determined by an investment bank of national reputation which is mutually acceptable to the Company (as determined by the Board of Directors of the Company without the participation by any directors designated by Lehman pursuant to this Agreement) and Lehman.

Section 4.5. Standstill Agreement. Lockheed Martin agrees that it will not, and it will cause its Permitted Transferees not to, directly or indirectly (through Affiliates or otherwise), acquire any shares of Common Stock if immediately following such acquisition of shares of Common Stock, Lockheed Martin and its Affiliates would own more than 34.9% of the outstanding shares of Common Stock; provided that this Section 4.5 shall not limit any of Lockheed Martin's rights under Section 2.5 or Section 4.1 of this Agreement.

Section 4.6. Certain Other Agreements. If at any time prior to Payment in Full of the Preference Amount a merger or other similar transaction is consummated pursuant to which 90% or more of the outstanding equity interests in the Company are acquired by a Person other than an Affiliate of Lehman at a price per share which is less than $6.47 (an "Acquisition Transaction"), then each of the Stockholders agrees to enter into such other agreements or other arrangements as may be required in order that the proceeds to the Stockholders from such Acquisition Transaction are distributed as among the holders of each class of Common Stock in a manner comparable to the manner in which such proceeds would be distributed in a distribution of assets of the Company in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company in accordance with the terms of the Certificate of Incorporation.

ARTICLE V
CERTAIN VOTING AGREEMENTS

Section 5.1. Board of Directors of the Company. (a) The Company's Board of Directors shall be initially composed of eleven members. Lehman shall be entitled, but not required, to designate six members (the "Lehman Nominees") of the Board of Directors. Lockheed Martin shall be entitled, but not required, to designate three members (the "Lockheed Martin Nominees") of the Board of Directors. In addition, each of Lanza and LaPenta shall be entitled, but not required, to designate themselves as members of the Board of Directors for so long as they are employees of the Company or

any of its Subsidiaries (the "Lanza Nominee" and "LaPenta Nominee", respectively).

(b) (i) Each of the Stockholders agrees to vote all of the Shares of Class A Common Stock owned or held of record by such Stockholder at any regular or special meeting of the stockholders of the Company called for the purpose of filling positions on the Board of Directors, or in any written consent executed in lieu of such a meeting of stockholders, and agrees to take all actions otherwise necessary, to ensure the election to the Board of Directors of the Lehman Nominees, the Lockheed Martin Nominees, the Lanza Nominee and the LaPenta Nominee in accordance with the terms hereof.

(ii) Each of the Company and each Stockholder hereby agrees to use its or his best efforts to call, or cause the appropriate officers and directors of the Company to call, a special meeting of stockholders of the Company and to vote all of the Shares of Class A Common Stock owned or held of record by such Stockholder for, or to take all actions by written consent in lieu of any such meeting necessary to cause, the removal (with or without cause) of (i) any Lehman Nominee if Lehman requests such director's removal for any reason and (ii) any Lockheed Martin Nominee if Lockheed Martin requests such director's removal for any reason. Lehman and Lockheed Martin shall have the right to designate a new nominee in the event any Lehman Nominee or Lockheed Martin Nominee, respectively, shall be so removed or shall vacate his or her directorship for any reason.

(c) Except as provided in Section 5.1(b)(ii) hereof, each Stockholder hereby agrees that, at any time that it or he is then entitled to vote for the election or removal of directors, it will not vote in favor of the removal of any Lehman Nominee, Lockheed Martin Nominee, Lanza Nominee or LaPenta Nominee, unless such removal shall be for Cause. For the purposes of this Section 5.1(c), "Cause" shall mean (i) as to any Lehman Nominee or Lockheed Martin Nominee, the gross neglect of or willful and continuing refusal to substantially perform his duties as a director, the willful engaging by a director in conduct which is demonstrably and materially injurious to the Company or the director's conviction of any crime constituting a felony and (ii) as to any Management Investor, gross neglect of or willful and continuing refusal to substantially perform his duties as a director or employee, any breach of the restrictive covenants contained in such Management Investor's employment agreement with the Company or any of its Subsidiaries, willful engaging in conduct which is demonstrably injurious to the Company or the Company's subsidiaries or affiliates or conviction or plea of guilty or nolo contendere to a felony or a misdemeanor involving moral turpitude.

(d) The number of directors which Lehman and Lockheed Martin have the right to designate pursuant to Section 5.1(a) shall be reduced from time to time to take into account any reduction in Lehman's and Lockheed Martin's (in either case, together with its Permitted Transferees) ownership level in the issued and outstanding shares of Common Stock so that the percentage of the total number of directors designated by each such party corresponds as nearly as practicable to the percentage ownership of such party (with its Permitted Transferees) of the issued and outstanding shares of Common Stock; provided that so long as Lehman (with its Permitted Transferees) continues to own at least 35% of the issued and outstanding Common Stock, the directors designated by Lehman pursuant to Section 5.1(a) shall constitute a majority of the Board of Directors so long as Lehman (with its Permitted Transferees) continues to represent the largest single stockholder of the Company. The

Stockholders' obligations under Section 5.1(b) and (c) shall remain in effect with respect to the Lehman Nominees and Lockheed Martin Nominees, as reduced pursuant to the preceding sentence.

(e) The rights of Lehman, Lockheed Martin, Lanza and LaPenta to designate Board members under Section 5.1(a) shall not be assignable (including to any Transferee of Shares).

Section 5.2. Charter Documents. (a) Exhibits A and B set forth copies of the Certificate of Incorporation and By-laws of the Company, each in the form in which it is to be in effect on the Effective Date (the "Charter Documents").

(b) The Company covenants and agrees that it will act in accordance with the Charter Documents. Each Stockholder covenants and agrees that it will vote all the Shares owned or held of record by such Stockholder at any regular or special meeting of stockholders of the Company or in any written consent executed in lieu of such a meeting of stockholders, and shall take all action necessary, to ensure that the Charter Documents do not, at any time, conflict with the provisions of this Agreement.

Section 5.3. Consent to an Initial Public Offering; Required IPO. (a) Prior to the first anniversary of the Effective Date, the Company shall not commence an Initial Public Offering without the affirmative vote of (i) a majority of the Lehman Nominees, (ii) a majority of the Lockheed Martin Nominees, (iii) the Lanza Nominee and (iv) the LaPenta Nominee.

(b) At any time on or after the fifth anniversary of the Effective Date, if an Initial Public Offering shall not have been consummated prior to such date, Lehman or Lockheed Martin (in each case, provided that it and its Permitted Transferees then own at least 50% of the issued and outstanding Common Stock owned by such party on the Effective Date) may require the Company promptly to commence an Initial Public Offering and to complete such Initial Public Offering as soon as reasonably practicable in accordance with the registration procedures contained in Exhibit C. The rights of Lehman and Lockheed Martin under this Section 5.3(b) shall not be assignable (including to any Transferee of Shares).

ARTICLE VI
TERMINATION

Section 6.1. Termination. The provisions of this Agreement, other than Sections 2.8, 4.2 and 4.5 shall terminate upon the consummation of an Initial Public Offering. Section 2.8 and the registration rights contained in Exhibit C shall continue to apply following such consummation with respect to all Registrable Securities (as defined in Exhibit C) in accordance with the terms thereof. Section 4.2 shall continue to apply following the consummation of an Initial Public Offering until the earlier of the expiration of the Exclusivity Period or the date on which Lehman (together with its Permitted Transferees) ceases to own at least 10% of the outstanding shares of Common Stock. Section 4.5 shall continue to apply following such consummation until the fifth anniversary of the Effective Date.

ARTICLE VII
MISCELLANEOUS

Section 7.1. No Inconsistent Agreements. The Company will not hereafter enter into any agreement with respect to its securities which is inconsistent with the rights granted to the Stockholders in this Agreement.

Section 7.2. Recapitalization, Exchanges, etc. In the event that any capital stock or other securities are issued in respect of, in exchange for, or in substitution of, any Shares by reason of any reorganization, recapitalization, reclassification, merger, consolidation, spin-off, partial or complete liquidation, stock dividend, split-up, sale of assets, distribution to stockholders or combination of the Shares or any other change in capital structure of the Company, appropriate adjustments shall be made with respect to the relevant provisions of this Agreement so as to fairly and equitably preserve, as far as practicable, the original rights and obligations of the parties hereto under this Agreement and the term "Shares," as used herein, shall be deemed to include shares of such capital stock or other securities, as appropriate.

Section 7.3. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective successors and permitted assigns.

Section 7.4. No Waivers, Amendments. (a) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

(b) No amendment, modification or supplement to this Agreement shall be enforced against any holder unless such amendment, modification or supplement is signed by (i) where such holder is Lehman or LBHI or one of their Permitted Transferees, a majority of the Shares held by Lehman and LBHI and its Permitted Transferees, (ii) where such holder is Lockheed Martin or one of their Permitted Transferees, a majority of the Shares held by Lockheed Martin and its Permitted Transferees, (iii) where such holder is Lanza or one of his Permitted Transferees, a majority of the Shares held by Lanza and his Permitted Transferees and (iv) where such holder is LaPenta or one of his Permitted Transferees, a majority of the Shares held by LaPenta and his Permitted Transferees.

(c) Any provision of this Agreement may be waived if, but only if, such waiver is in writing and is signed by the party against whom the enforcement of such waiver is sought.

Section 7.5. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telex, telecopier or similar writing) and shall be given to such party at its address, telex or telecopier number set forth below, or such other address, telex or telecopier number as such party may hereinafter specify for the purpose to the party giving such notice. Each such notice, request or other communication shall be effective (i) if given by telex or telecopy, when such telex or telecopy is transmitted to the telex or telecopy number specified in this Section and the appropriate answerback is received or, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first

class postage prepaid, addressed as aforesaid or, (iii) if given by any other means, when delivered at the address specified in this Section 7.5.

Notices to the Company shall be addressed to the Company at L-3 Communications Holdings, Inc., 600 Third Avenue, New York, New York 10016, Attention: General Counsel (telecopier no. (212) 805-5494) with a copy thereof to Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, Attention: David B. Chapnick (telecopier (212) 455-2502); notices to Lehman or LBHI shall be addressed to Lehman Brothers Capital Partners III, L.P. or Lehman Brothers Holdings Inc., as the case may be, 3 World Financial Center, New York, New York 10285, Attention: Steven Berkenfeld (telecopier (212) 526-3738) with a copy thereof to Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, Attention: David B. Chapnick (telecopier (212) 455-2502); notices to Lockheed Martin shall be addressed to Lockheed Martin at Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, Maryland 20817, Attention: Marcus C. Bennett (telecopier (301) 897-6083) with a copy thereof to Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, Maryland 20817, Attention: Frank H. Menaker, Jr. (telecopier (301) 897-6791) and to Miles & Stockbridge, a Professional Corporation, 10 Light Street, Baltimore, Maryland 21202, Attention: Glenn C. Campbell (telecopier (410) 385-3700); notices to Lanza and LaPenta shall be addressed to Lanza and LaPenta, respectively, at L-3 Communications Holdings, Inc., 600 Third Avenue, New York, New York 10016 (telecopier (212) 949-9879, as to Lanza and (212) 805-5470, as to LaPenta) with a copy thereof to Fried, Frank, Harris, Shriver and Jacobson, 1 New York Plaza, New York, New York 10004 Attention: Robert C. Schwenkel (telecopier (212) 859-8879).

Section 7.6. Inspection. So long as this Agreement shall be in effect, this Agreement and any amendments hereto shall be made available for inspection by a Stockholder at the principal offices of the Company.

SECTION 7.7. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 7.8. Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

Section 7.9. Entire Agreement. This Agreement, together with the Subscription Agreements, constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, written or oral, relating to the subject matter hereof.

Section 7.10. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdictions, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

Section 7.11. Counterparts. This Agreement may be signed in counterparts, each of which shall constitute an original and which together shall constitute one and the same agreement.

Section 7.12. Option Plan. Each of the Stockholders agrees to vote all of the Shares of Class A Common Stock owned or held of record by such Stockholder at any regular or special meeting of the stockholders of the Company called for the purpose of approving the Option Plan or in any written consent executed in lieu of such a meeting of stockholders (and the Company agrees to use reasonable efforts to cause such meeting to occur promptly), and agrees to take all actions otherwise necessary, to ensure the approval of the Option Plan in accordance with the terms hereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

L-3 COMMUNICATIONS
HOLDINGS, INC.

By:_____
Title:

LOCKHEED MARTIN CORPORATION

By:_____
Title:

LEHMAN BROTHERS CAPITAL
PARTNERS III, L.P.

By: Lehman Brothers Holdings Inc.,
its general partner

By:_____
Title:

LEHMAN BROTHERS HOLDINGS INC.

By:_____
Title:

_____
Frank C. Lanza

_____
Robert V. LaPenta

EXHIBIT D

FORM OF AGREEMENT TO BE BOUND

[DATE]

To the Parties to the
Stockholders Agreement
dated as of April 30, 1997

Dear Sirs:

Reference is made to the Stockholders Agreement dated as of April 30, 1997 (the "Stockholders Agreement"), among L-3 Communications Holdings, Inc., Lockheed Martin Corporation, Lehman Brothers Capital Partners III, L.P., Lehman Brothers Holdings Inc., Frank C. Lanza and Robert V. LaPenta and each other Stockholder who or which shall become parties to the Stockholders Agreement as provided therein. Capitalized terms used herein and not defined have the meanings ascribed to them in the Stockholders Agreement.

In consideration of the representations, covenants and agreements contained in the Stockholders Agreement, the undersigned hereby confirms and agrees that it shall be bound by all of the provisions thereof.

This letter shall be construed and enforced in accordance with the laws of the State of New York.

Very truly yours,

[Permitted Transferee]

PERSONAL

AND

CONFIDENTIAL

EXHIBIT 10.5

TRANSACTION AGREEMENT

Dated as of March 28, 1997

By and Among

LOCKHEED MARTIN CORPORATION

LEHMAN BROTHERS CAPITAL PARTNERS III, L.P.

FRANK C. LANZA

ROBERT V. LAPENTA

and

L-3 COMMUNICATIONS HOLDINGS, INC.

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TRANSACTION AGREEMENT

This Transaction Agreement (together with the Exhibits, Schedules and Attachments hereto, this "Agreement") is made as of the 28th day of March, 1997, by and among Lockheed Martin Corporation, a Maryland corporation ("Lockheed Martin"), Lehman Brothers Capital Partners III, L.P., a Delaware limited partnership ("Lehman"), Frank C. Lanza ("Lanza"), Robert V. LaPenta ("LaPenta"; and together with Lanza, the "Individual Purchasers") and L-3 Communications Holdings, Inc., a Delaware corporation ("Newco"). For purposes of this Agreement, Lehman, Lanza and LaPenta each are individually referred to as a "Purchaser" and collectively referred to as the "Purchasers."

W I T N E S S E T H:

WHEREAS, Lockheed Martin, in its own right and through certain of its direct and indirect Subsidiaries is engaged in the Business;

WHEREAS, Lockheed Martin and the Purchasers, upon the terms and subject to the conditions of this Agreement have agreed to the formation and organization of Newco; and

WHEREAS, upon the terms and subject to the conditions of this Agreement, Lockheed Martin desires to transfer, or to cause the Affiliated Transferors to transfer, substantially all of the assets held or owned by, or used to conduct, the Business and to assign certain liabilities associated with the Business to Newco, and Newco desires to receive such assets and assume such liabilities;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. Defined terms used in this Agreement shall have the meanings specified in this Agreement or in Exhibit A.

ARTICLE II

TRANSACTIONS AND CLOSING

Section 2.01 Closing Transactions. Upon the terms and subject to the conditions set forth in the Transaction Documents, the parties agree that at the Closing, among other things:

(i) Lockheed Martin will transfer or cause to be transferred to Newco all Transferred Assets and Newco will assume all Assumed Liabilities in accordance with this Agreement and the terms of the Transfer Agreement attached as Attachment III;

(ii) Newco will issue to Lehman 10,020,000 shares of Newco Class A Stock in exchange for $64,835,000 in cash;

(iii) Newco will issue to Lanza 1,500,000 shares of Newco Class B Stock in exchange for $7,500,000 in cash;

(iv) Newco will issue to LaPenta 1,500,000 shares of Newco Class B Stock in exchange for $7,500,000 in cash; and

(v) Newco, Lockheed Martin and the Purchasers, as the case may be, will enter into Common Stock Subscription Agreements and a Stockholders Agreement in substantially the forms attached as Attachments IV and V, will enter into License Agreements in the forms contemplated by Section 9.04, and will enter into an Exchange Agreement in substantially the form attached to the Transfer Agreement attached as Attachment III;

(vi) Lockheed Martin and Newco will enter into a services agreement for a term expiring on December 31, 1997 (other than with respect to certain services to the Communications Systems Business Unit the term for which shall be mutually agreed upon up to one year with a six-month option exercisable by Newco) (which may be terminated (in whole or in part, provided that related services may not be terminated in part) by the party receiving such services upon 60 days advance written notice to the other party at any time, it being understood that each party will use reasonable commercial efforts to transition away from the other party as the source for such services as soon as practicable) relating to the provision by the Lockheed Martin Companies to Newco (or by Newco to the Lockheed Martin Companies, as the case may be) following the Closing of certain services (which may include making limited space and equipment available) of a type provided by the Lockheed Martin Companies (other than services provided by the Business Units or personnel at the location covered by the NY Leases) to the Business (or services provided by the Business Units or the personnel at the location covered by the NY Leases to the Lockheed Martin Companies) as of the date of this Agreement, at costs consistent with past practices (the "Interim Services Agreement"), which agreement is to be negotiated by the parties in good faith prior to the Closing;

(vii) Lockheed Martin and Newco will enter into one or more supply agreements to document intercompany work transfer agreements existing as of the Closing or intercompany work transfer agreements or similar support arrangements contemplated as of the Closing in connection with Bids in existence as of the Closing between any of the Business Units and any of the Lockheed Martin Companies, at prices and generally upon other terms consistent with existing intercompany work transfer agreements, but including such additional terms and conditions as are appropriate (including indemnification and damage provisions consistent with the underlying contract) to reflect the third-party nature of the agreements (and in any event (1) including profit chargebacks (other than with respect to the Eagle and Raptor programs) to Lockheed Martin of up to $1.9 million in 1997, $1.1 million in 1998, $700,000 in 1999 and $500,000 in 2000 consistent with the Long Range Plan for the Business prepared by Lockheed Martin and previously provided to the Purchasers (the "Long Range Plan"), but only to the extent in backlog at the Closing Date or contemplated as of the Closing in connection with Bids in existence as of the Closing, and in the case of the "Eagle" and "Raptor" (both long lead material award and production award) programs, profit chargebacks to Lockheed Martin of up to an aggregate of $1,000,000 and (2) providing that, notwithstanding the terms of the Long Range Plan, after December 31, 2000 Newco shall not be entitled to any profit chargeback to Lockheed Martin) (the "Supply Agreement"), which agreement is to be negotiated by the parties in good faith prior to the Closing; and

(viii) Other than with respect to the matters referenced in clause (ix) below, Lockheed Martin (and/or other Lockheed Martin Companies, as appropriate) and Newco will enter into lease, sublease or assignment agreements, as the case may be, in respect of those facilities used by the Business Units on such terms and subject to such conditions as may be negotiated by the parties in good faith prior to the Closing, it being understood that such terms and conditions shall be consistent with existing agreements; and

(ix) Lockheed Martin and Newco will enter into an agreement pursuant to which (A)(1) Lockheed Martin will agree for a period beginning on the Closing Date and ending on December 31, 1999, to lease 67,400 square feet of space in Building 1 at the Communications Systems Business Unit at an "all in" annual cost of $36.25 per square foot, (2) Newco will grant Lockheed Martin an option (exercisable on or prior to December 31, 1998) to continue to lease all of the space contemplated by the preceding clause (A)(1) for the period from January 1, 2000 until March 14, 2003 at an "all in" annual cost of $18.12 per square foot, and (3) Newco will agree to pay Lockheed Martin $2,000,000 on the first Business Day of January 2000 in the event that Lockheed Martin exercises the option contemplated by the preceding clause (A)(2), and (B) Lockheed Martin will agree to lease on behalf of its existing MAC-MAR business its current space in Building 1 at the Communications Systems Business Unit at the current lease rates through December 31, 1998, and will grant Newco the right, on a year-to-year basis, to match any competing offer to provide space and related services to MAC-MAR thereafter until the end of the current lease term, it being understood that Newco must continue to use the services of the MAC-MAR business as long as the MAC-MAR business is using Newco's receiving services at the Communications Systems Business Unit.

Section 2.02 Exchange Consideration. The consideration to be paid to Lockheed Martin and the Affiliated Transferors for the Transferred Assets (the "Exchange Consideration") shall consist of the following:

(i) Subject to adjustment in accordance with Section 2.03 and Section 2.04, $479,835,000 in cash;

(ii) 6,980,000 shares of Newco Class A Stock; and

(iii) Newco's assumption of the Assumed Liabilities in accordance with this Agreement.

Section 2.03 Adjustment of Exchange Consideration.

(a) At least two Business Days prior to the Closing Date, Lockheed Martin shall, in good faith and after consultation with the Individual Purchasers, prepare an estimate of the Net Tangible Assets of the Business as of March 30 (if the Closing shall occur in April 1997) or April 27 (if the Closing shall occur in May 1997) (such date being the date on which Lockheed Martin closes its accounting books and records for the respective month and referred to as the "Effective Date"; and such estimate being the "Estimated Final Net Tangible Asset Amount") and shall provide a copy of its calculation of the Estimated Final Net Tangible Asset Amount to Newco and the Purchasers.

(b) Promptly following the Closing Date, but in no event later than 60 days after the Closing Date, Lockheed Martin shall, at its expense, with the

assistance of Newco prepare and submit to Newco an audited combined statement of net tangible assets setting forth, in reasonable detail, Lockheed Martin's calculation of the Net Tangible Assets of the Business as of the close of business on the Effective Date (the "Proposed Final Net Tangible Asset Amount") together with an opinion of Ernst & Young LLP stating that such audited combined statement of Net Tangible Assets presents fairly, in all material respects, the Net Tangible Assets of the Business as of the close of business on the Effective Date in accordance with the provisions of this Agreement. In the event Newco disputes the correctness of the Proposed Final Net Tangible Asset Amount, Newco shall notify Lockheed Martin of its objections within 45 days after receipt of Lockheed Martin's calculation of the Proposed Final Net Tangible Asset Amount and shall set forth, in writing and reasonable detail, the reasons for Newco's objections. If Newco fails to deliver such notice of objections within such time, Newco shall be deemed to have accepted Lockheed Martin's calculation. Lockheed Martin and Newco shall endeavor in good faith to resolve any disputed items within 20 days after Lockheed Martin's receipt of Newco's notice of objections. If they are unable to do so, Lockheed Martin and Newco shall select a nationally known independent accounting firm (other than Ernst & Young LLP or Coopers & Lybrand L.L.P.) to resolve the dispute (in a manner consistent with Section 2.03(c) and with any items not in dispute), and the determination of such firm in respect of the correctness of each item remaining in dispute shall be conclusive and binding on Lockheed Martin and Newco. The Net Tangible Assets of the Business as of the close of business on the Effective Date as finally determined pursuant to this Section 2.03(b) (whether by failure of Newco to deliver notice of objection, by agreement of Lockheed Martin and Newco or by determination of the accountants selected as set forth above) is referred to herein as the "Final Net Tangible Asset Amount."

(c) The Estimated Final Net Tangible Asset Amount, the Proposed Final Net Tangible Asset Amount and the Final Net Tangible Asset Amount shall be determined in accordance with the accounting principles, policies, practices and methods utilized in the preparation of the December Statement, as disclosed in the notes to the December Statement, except as otherwise set forth in Attachment VI.

(d) If the Final Net Tangible Asset Amount is greater than the Estimated Final Net Tangible Asset Amount, the difference shall be paid to Lockheed Martin by Newco with interest thereon from the Closing Date to the date of payment at a rate per annum equal to the per annum interest rate announced from time to time by Bank of America National Trust and Savings Association as its reference rate in effect. If the Final Net Tangible Asset Amount is less than the Estimated Final Net Tangible Asset Amount, the difference shall be paid to Newco by Lockheed Martin with interest thereon from the Closing Date to the date of payment at a rate per annum equal to the per annum interest rate announced from time to time by Bank of America National Trust and Savings Association as its reference rate in effect. Such payment shall be made in immediately available funds not later than five Business Days after the determination of the Final Net Tangible Asset Amount by wire transfer to a bank account designated in writing by the party entitled to receive the payment; provided, however, if Newco is prohibited from making such payment by the financing arrangements of Newco in effect as of the Closing Date, then, in lieu of making any payment in excess of the sum of (i) the difference between $479,835,000 and the amount of the payment actually made pursuant to Section 2.04(i) and (ii) $5,000,000 by wire transfer in immediately available funds, Newco may deliver to Lockheed Martin in satisfaction of its obligation in excess of such sum a subordinated note

the principal amount of which shall equal such excess and providing for repayment thereof in eight consecutive equal quarterly payments of principal together with interest thereon, with an interest rate and such other terms and conditions that reflect the financial condition of Newco and would be available to Newco for similar subordinated debt on the date the subordinated note is delivered to Lockheed Martin by Newco, which subordinated note is to be negotiated by the parties in good faith in the event such subordinated note is required to be issued pursuant to the terms hereof.

(e) Lockheed Martin shall make available and shall cause Ernst & Young LLP to make available, in accordance with reasonable and customary practices and professional standards and subject to such reasonable conditions as Ernst & Young LLP shall impose, the books, records, documents and work papers underlying the preparation and audit of the December Statement and the calculation of the Proposed Final Net Tangible Asset Amount. Newco and the Purchasers shall make available and shall cause Coopers & Lybrand L.L.P. to make available, in accordance with reasonable and customary practices and professional standards and subject to such reasonable conditions as Coopers & Lybrand L.L.P. shall impose, the books, records, documents and work papers created or prepared by or for Newco in connection with the review of the Proposed Final Net Tangible Asset Amount and the other matters contemplated by Section 2.03(b).

(f) The fees and expenses, if any, of the accounting firm selected to resolve any disputes between Lockheed Martin and Newco in accordance with Section 2.03(b) shall be paid one-half by Lockheed Martin and one-half by Newco.

Section 2.04 Closing. The closing (the "Closing") of the Contemplated Transactions shall take place at the offices of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York on April 25, 1997, provided, however, that if all of the conditions to Closing set forth in Article XII have not been satisfied (or waived) as of that date and if closing on that date therefore would be impractical, the Closing shall take place on the fifth Business Day following the satisfaction or waiver (by the party entitled to waive the condition) of all conditions to the Closing set forth in Article XII, or at such other time and place as the parties to this Agreement may agree. The Closing will occur at 9:00 a.m. on the Closing Date. At the Closing, among other things:

(i) Newco shall pay and deliver to Lockheed Martin, for its own account and as agent for the Affiliated Transferors, $479,835,000 (minus the difference between the Estimated Final Net Tangible Asset Amount and $269,118,000 in the event the Estimated Final Net Tangible Asset Amount is less than $269,118,000) in immediately available funds by wire transfer to an account designated by Lockheed Martin (which account shall be designated by Lockheed Martin by written notice to Newco at least two Business Days prior to the Closing Date, or such shorter notice as Newco shall agree to accept);

(ii) Newco shall issue to Lockheed Martin, for its own account and as agent for the Affiliated Transferors, 6,980,000 shares of Newco Class A Stock;

(iii) Newco shall issue to Lehman 10,020,000 shares of Newco Class A Stock in exchange for Lehman paying and delivering to Newco $64,835,000 in immediately available funds by wire transfer to an account designated

by Newco (which account shall be designated by Newco by written notice to Lehman at least two Business Days prior to the Closing Date, or such shorter notice as Lehman shall agree to accept);

(iv) Newco shall issue to Lanza 1,500,000 shares of Newco Class B Stock in exchange for Lanza paying and delivering to Newco $7,500,000 in immediately available funds by wire transfer to an account designated by Newco (which account shall be designated by Newco by written notice to Lanza at least two Business Days prior to the Closing Date, or such shorter notice as Lanza shall agree to accept); and

(v) Newco shall issue to LaPenta 1,500,000 shares of Newco Class B Stock in exchange for LaPenta paying and delivering to Newco $7,500,000 in immediately available funds by wire transfer to an account designated by Newco (which account shall be designated by Newco by written notice to LaPenta at least two Business Days prior to the Closing Date, or such shorter notice as LaPenta shall agree to accept).

Section 2.05 Cash True-Up. Within fifteen Business Days after the Closing Date, Lockheed Martin shall prepare and deliver to Newco a schedule setting forth, on a daily basis, the cash generated by the Business from 12:01 a.m. on the first day following the Effective Date (after subtracting any cash investments made by any of the Lockheed Martin Companies in or for the benefit of the Business after the Effective Date and the amount of any checks drawn on the accounts of any of the Lockheed Martin Companies prior to Closing Date but not yet debited from such accounts as of the close of business on the day prior to the Closing Date). Within five Business Days of receipt of the foregoing schedule, Newco shall make payment to Lockheed Martin if the schedule shows a net cash usage by the Business during the period referenced in the preceding sentence and Lockheed Martin shall make payment to Newco if the schedule shows net cash generation during such period in an amount equal to such net cash usage or net cash generation, as the case may be. Lockheed Martin shall give Newco reasonable access to its books and records for the purpose of confirming the calculations of Lockheed Martin pursuant to this Section 2.05. Any payment made hereunder shall be made in immediately available funds by wire transfer to a bank account designated in writing by the party entitled to receive the payment.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF LOCKHEED MARTIN

Section 3.01 Representations and Warranties of Lockheed Martin. Lockheed Martin represents and warrants prior to but not after the Closing to the Purchasers, and as of and after the Closing to Newco, as set forth in Exhibit B.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF LEHMAN

Section 4.01 Representations and Warranties of Lehman. Lehman represents and warrants to Lockheed Martin, Newco and the Individual Purchasers as set forth in Exhibit C.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE INDIVIDUAL PURCHASERS

Section 5.01 Representations and Warranties of the Individual Purchasers. Each of the Individual Purchasers represents and warrants to Lockheed Martin, Newco and Lehman as set forth in Exhibit D.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF NEWCO

Section 6.01 Representations and Warranties of Newco. Newco represents and warrants to Lockheed Martin and the Purchasers as set forth in Exhibit E.

ARTICLE VII

COVENANTS OF LOCKHEED MARTIN

Section 7.01 Conduct of Business. From the date of this Agreement until the Closing Date, except with the written consent of either of the Individual Purchasers (which consent may not be unreasonably withheld or delayed) the Lockheed Martin Companies shall conduct the Business in all material respects in accordance with the historical and customary operating practices relating to the conduct of the Business (except that Lockheed Martin and the Affiliated Transferors may sell or otherwise dispose of obsolete Inventory whether or not in accordance with such practices and shall cause its Subsidiaries to use reasonable commercial efforts to preserve intact the Business and its relationships with third parties. Without limiting the generality of the foregoing, from the date of this Agreement through the Closing Date, subject to any exceptions required to comply with Applicable Laws, the Lockheed Martin Companies shall not, without the written consent of either of the Individual Purchasers (which consent may not be unreasonably withheld or delayed):

(i) make any capital expenditure, or group of related capital expenditures (other than as contemplated by the Long Range Plan) relating to the Business in excess of $250,000;

(ii) sell or dispose of more than an aggregate of $250,000 of assets (other than the sale of Inventory, any sale made in the ordinary course of business, and other than pursuant to Bids or Contracts in existence on the date of this Agreement) that would constitute Transferred Assets if owned, held or used by any of the Lockheed Martin Companies on the Closing Date;

(iii) amend, modify, or terminate any Contract where the effect of such amendment, modification or termination would be a decrease in the backlog value of the relevant Contract or a decrease in the payments to be received or made by Newco, in any such case by $250,000 or more;

(iv) submit any Bid which, if accepted, would result in a fixed price Contract that would constitute a Transferred Asset with a backlog value in excess of (1) $5,000,000 in the case of a fixed price

production Contract, or (2) $1,000,000 in the case of a fixed price development Contract;

(v) except as required by Contracts in existence as of the date of this Agreement or in the ordinary course of business, sell, transfer, license or otherwise dispose of, any Intellectual Property relating to the Business;

(vi) enter into any (1) fixed price production Contracts (other than pursuant to a Bid in existence as of the date of this Agreement) that would constitute a Transferred Asset if held by any of the Lockheed Martin Companies on the Closing Date with a backlog value in excess of $5,000,000, or (2) fixed price development Contracts (other than pursuant to a Bid in existence as of the date of this Agreement) that would constitute a Transferred Asset if held by any of the Lockheed Martin Companies on the Closing Date with a backlog value in excess of $1,000,000;

(vii) terminate the coverage of any policies of title, liability, fire, workers' compensation, property and any other form of insurance covering the Transferred Assets or operations of the Business, except where the termination could not reasonably be expected to have a Material Adverse Effect on the Business;

(viii) settle any lawsuit or claim if such settlement imposes a material continuing non-monetary obligation on the Business or any of the Transferred Assets;

(ix) except in respect of the Individual Purchasers, grant any new or modified severance or termination arrangement or increase or accelerate in any material respect any benefits payable under its severance or termination pay policies in effect on the date of this Agreement with respect to any Transferred Employee;

(x) other than with respect to the Individual Purchasers, except as may be otherwise permitted or required by this Agreement, and except as contemplated by Attachment XIV, adopt or amend in any material respect any bonus, profit sharing, compensation, stock option, pension, retirement, deferred compensation, employment or other employee benefit plan, agreement, trust, fund or other arrangement for the benefit or welfare of any Transferred Employee or, other than compensation increases for individuals below the level of vice president in the ordinary course of business or compensation increases for individuals at the level of vice president and above in accordance with nondiscretionary provisions of the Employee Plans or Benefit Arrangements disclosed in Section B.21 of the Disclosure Schedules or referenced in Exhibit G, increase the compensation or fringe benefits of any Transferred Employee or pay any benefit not required by any Employee Plan, Benefit Arrangement or any agreement with respect to any Transferred Employee; and

(xi) effectuate a "plant closing" or "mass layoff," as those terms are defined in WARN, affecting in whole or in part any site of employment, facility, operating unit or employee of the Business, without complying with the notice requirements and other provisions of WARN.

Section 7.02 Access to Information; Confidentiality.

(a) Except as may be necessary to comply with any Applicable Laws (including, without limitation, any requirements with respect to security clearances) and subject to any applicable privileges (including, without limitation, the attorney-client privilege), from the date of this Agreement until the Closing Date, Lockheed Martin will (a) give the Purchasers and their Representatives reasonable access to the records of the Lockheed Martin Companies relating to the Business during normal business hours and upon reasonable prior notice, (b) give the Purchasers and their Representatives reasonable access to any facilities the possession of which will be transferred to Newco at Closing during normal business hours and upon reasonable prior notice for the purpose of Purchasers' conduct of a Phase I Environmental Audit of such facilities or documentary diligence, (c) furnish to the Purchasers and their Representatives such financial and operating data and other information relating to the Business as the Purchasers may reasonably request and (d) instruct the employees and Representatives of the Lockheed Martin Companies to cooperate with the Purchasers in their investigation of the Business. Without limiting the generality of the foregoing, subject to the limitations set forth in the first sentence of this Section 7.02(a), (i) Lockheed Martin shall use reasonable commercial efforts to enable the Purchasers and the Purchasers' Representatives to conduct, at the Purchasers' own expense, business and financial reviews, investigations and studies as to the operation of the various Business Units, including any tax, operating or other efficiencies that may be achieved and (ii) from the date of this Agreement to the Closing Date, Lockheed Martin shall give the Purchasers and their Representatives access to information relating to the Business of the type, and with the same level of detail, as in the ordinary course of business is made available to the presidents or chief financial officers of the Business Units. Notwithstanding the foregoing, the Purchasers shall not have access to personnel records of any of the Lockheed Martin Companies relating to individual performance or evaluation records, medical histories or other information which in Lockheed Martin's good faith opinion is sensitive or the disclosure of which could subject any of the Lockheed Martin Companies to risk of liability.

(b) For a period of three years after the Closing Date, the Lockheed Martin Companies will treat and hold as such, any confidential information concerning the operations or affairs of the Business. In the event any of the Lockheed Martin Companies is requested or required (by oral or written request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand or similar process or by Applicable Law) to disclose any such confidential information, then Lockheed Martin will notify Newco promptly of the request or requirement so that Newco, at its expense, may seek an appropriate protective order or waive compliance with this Section 7.02(b). If, in the absence of a protective order or receipt of a waiver hereunder, any of the Lockheed Martin Companies is, on the advice of counsel, compelled to disclose such confidential information the Lockheed Martin Company may so disclose the confidential information, provided that the Lockheed Martin Company will use its reasonable efforts to obtain reliable assurance that confidential treatment will be accorded to such confidential information. The provisions of this Section 7.02(b) will not be deemed to prohibit the disclosure of confidential information concerning the operations or affairs of the Business by any of the Lockheed Martin Companies to the extent reasonably required (i) to prepare or complete any required tax returns or financial statements, (ii) in connection with audits or other proceedings by or on behalf of a Governmental Authority, (iii) in connection

with any insurance or benefits claims, (iv) to the extent necessary to comply with any Applicable Laws, (v) to provide services to Newco in accordance with the Interim Services Agreement, or (vi) in connection with any other similar administrative functions in the ordinary course of business. Notwithstanding the foregoing, the provisions of this Section 7.02(b) shall not apply to information that (i) is or becomes publicly available other than as a result of a disclosure by any of the Lockheed Martin Companies, (ii) is or becomes available to a Lockheed Martin Company on a non-confidential basis from a source that, to Lockheed Martin's knowledge, is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation, or (iii) is or has been independently developed by a Lockheed Martin Company (other than solely for the Business or by one of the Business Units). This Section 7.02(b) shall not apply to the disclosure of confidential information concerning the Instrumentation Recorder Product Line of Advanced Recorders in connection with or after the sale thereof to a purchaser or potential purchaser (other than Newco); provided, however, that such disclosure may only be made pursuant to a confidentiality agreement containing reasonable terms and conditions.

Section 7.03 Non-Solicitation of Offers. From the date of this Agreement to the earlier of the Closing Date or the termination of this Agreement, Lockheed Martin shall not, and Lockheed Martin shall not authorize or permit any of its Representatives to, directly or indirectly (through Affiliates or otherwise), (i) solicit, initiate or take any action knowingly to facilitate the submission of inquiries, proposals or offers from any Person (other than Newco) relating to any acquisition or purchase of all or a substantial part of the Business, in one transaction or a series of related transactions (whether by asset or stock sale, business combination transaction or otherwise), (collectively, the "Alternative Transaction Proposals"), or (ii) enter into or participate in any discussions or negotiations regarding any of the foregoing, or furnish to any other Person any information with respect to the Business (other than in the ordinary course of operating the Business and in connection with the possible sale of the Instrumentation Recorder Product Line of Advanced Recorders) or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other Person to do or seek any of the foregoing. Except to the extent that it is prohibited from doing so by contractual agreements that were in existence as of January 31, 1997 (of which there are two), if Lockheed Martin, directly or indirectly, receives an Alternative Transaction Proposal, Lockheed Martin shall promptly inform the Purchasers of the terms and conditions of the Alternative Transaction Proposal and the identity of the Person making it.

Section 7.04 Non-Solicitation of Employees. From and after the date of this Agreement until the second anniversary of the Closing Date, Lockheed Martin shall not, without prior written approval of Newco, directly or indirectly (through Affiliates or otherwise), knowingly solicit any individual (other than individuals identified in Attachment XI) who at that time is an employee of the Business to terminate his or her relationship with the Business and will not knowingly hire any individual inadvertently solicited; provided, however, that the foregoing shall not apply to (i) individuals solicited or hired as a result of the use of an independent employment agency (so long as the agency was not directed to solicit such individual and Lockheed Martin, promptly following execution of this Agreement, advises the Vice President for Human Resources of each Operating Sector of Lockheed Martin of the provisions of this Section 7.04), and (ii) individuals solicited or hired as a result of the use of a general

solicitation (such as an advertisement) not specifically directed to employees of the Business.

Section 7.05 Change of Lockbox Accounts. Immediately after the Closing, Lockheed Martin shall take such steps as Newco may reasonably request to cause Newco to be substituted as the sole party having control over any lockbox or similar bank account maintained exclusively by the Business Units to which customers of the Business directly make payments in respect of the Business or to direct the bank at which any such lockbox or similar account is maintained to transfer any payments made thereto to an account established by Newco.

Section 7.06 Access to Information; Cooperation After Closing. On and after the Closing Date and subject to any applicable privileges (including, without limitation, the attorney-client privilege), Lockheed Martin shall, and shall cause each of the other Lockheed Martin Companies to, at their expense (i) afford Newco and its Representatives reasonable access upon reasonable prior notice during normal business hours, to all employees, offices, properties, agreements, records, books and affairs of the Lockheed Martin Companies to the extent relating to the Business, (ii) provide copies of such information concerning the Business as Newco may reasonably request for any proper purpose, including, without limitation, in connection with any public or private offering of securities by Newco or the preparation of any financial statements or in connection with any judicial, quasi judicial, administrative, or arbitration proceeding or audit (provided, however, that except as otherwise provided in writing signed by an officer of Lockheed Martin specifically approving the use of such information, the specific purpose for which such information is to be used therein and the specific representations and warranties at issue, Lockheed Martin makes no representations or warranties to the Purchasers, Newco or any other Person in respect of any such information) and (iii) cooperate fully with Newco for any proper purpose, including, without limitation, in the defense or pursuit of any Transferred Asset, Assumed Liability or any claim or action that relates to occurrences involving the Business prior to the Closing Date.

Section 7.07 Maintenance of Insurance Policies. Except as otherwise provided in Exhibit G, on and after the date of this Agreement and until the Closing Date, Lockheed Martin shall not take or fail to take any action if such action or inaction, as the case may be, would adversely affect the applicability of any insurance (including reinsurance) in effect on the date of this Agreement that covers all or any part of the assets that would constitute Transferred Assets if owned, held or used by any of the Lockheed Martin Companies on the Closing Date, the Business or the Transferred Employees. Except as otherwise provided in Exhibit G or as may otherwise be agreed in writing by the parties, Lockheed Martin shall not have any obligation to maintain the effectiveness of any such insurance policy after the Closing Date or to make any monetary payment in connection with any such policy.

Section 7.08 Novation of Government Contracts. As soon as is reasonably practicable following the Closing, Lockheed Martin shall, in accordance with Federal Acquisition Regulations Part 42, Section 42.12, submit in writing to each Responsible Contracting Officer (as such term is defined in Federal Acquisition Regulations Part 42, Section 42.102(a)), a request for the U.S. Government to (i) recognize Newco as the successor in interest to all of the Government Contracts being sold, assigned, transferred and conveyed to Newco in accordance with this Agreement and (ii) enter into a

novation agreement (the "Novation Agreement") substantially in the form contemplated by such regulations. Lockheed Martin shall use commercially reasonable efforts to obtain all consents, approvals and waivers required for the purpose of processing, entering into and completing the Novation Agreement with regard to any of the Government Contracts, including responding to any reasonable requests for information by the U.S. Government with regard to such Novation Agreement.

Section 7.09 Financial Statements. Lockheed Martin shall, at Lockheed Martin's expense, furnish and shall cause its independent accountants for the Communications Systems Business Unit to audit and furnish their opinion thereon not later than March 28, 1997, financial statements for such Business Unit for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 prepared in accordance with GAAP applied consistently throughout the periods covered thereby in a form meeting the requirements of Regulation S-X of the Securities Act, and, consistent with appropriate terms and conditions and upon receipt of appropriate management representation letters, to furnish the consent of such independent accountants to the inclusion of their report on such financial statements to the extent the financial statements are required to be included in any registration statement of Newco under the Securities Act and any amendments thereto or in any offering memoranda in connection with an offering of securities exempt from registration under the Securities Act, and to provide comfort letters in customary form in connection therewith; and for the purposes of assisting Newco with any such registration statement and subsequent reporting requirements under the Securities Act of 1934, as amended, Lockheed Martin will deliver to Newco unaudited income statements and balance sheets of the Communications Systems Business Unit for each 1996 calendar quarter and each 1997 calendar quarter completed prior to or on the Closing Date. The financial statements and schedules described in the preceding sentence for the first quarter of 1997 and 1996, respectively, will be provided by May 10, 1997. To the extent required, each subsequent 1997 quarter's financial statements and schedules (together with the corresponding 1996 quarter's financial statements) shall be delivered to Newco by Lockheed Martin within 40 days after the last day of such quarter. The parties acknowledge and agree that time is of the essence in the performance of this Section 7.09 and Lockheed Martin shall provide Newco unaudited financial information with respect to the Communications Systems Business Unit for the years 1993 and 1992 meeting the requirements of Item 301 of Regulation S-K (Selected Financial Data) of the Securities Act by April 4, 1997. Lockheed Martin acknowledges that Newco's independent accountants will be performing the audit of the combined financial statements of the Business for the year ended December 31, 1996 (and, if required by applicable SEC regulations, for the period from January 1, 1997 to the Closing Date), and the combined financial statements of the Wideband Systems Business Unit and the Products Group of the Business for the three months ended March 31, 1996 and the years ended December 31, 1995 and December 31, 1994. Lockheed Martin agrees to cooperate and cause its independent accountants to cooperate with Newco's independent accountants, and provide such reasonable representation letters of Lockheed Martin's management to Newco's independent accountants in a form appropriate to enable such accountants to issue an opinion on the financial statements they are auditing in accordance with professional standards.

ARTICLE VIII

COVENANTS OF NEWCO AND THE PURCHASERS

Section 8.01 Confidentiality.

(a) Newco and the Purchasers agree that all information provided or otherwise made available in connection with the Contemplated Transactions, to any of the Purchasers, Newco or their Representatives will be treated as if provided, in the case of Newco and Lehman, under the Lehman Confidentiality Agreement (whether or not the Lehman Confidentiality Agreement is in effect or has been terminated) or, in the case of the Individual Purchasers, under paragraph 7 of the Memorandum (whether or not the Memorandum is in effect or has been terminated). In addition, until consummation of the Closing, Newco agrees to be bound by the terms of the Lehman Confidentiality Agreement as if Newco were Lehman thereunder (whether or not the Lehman Confidentiality Agreement is in effect or has been terminated). Upon consummation of the Closing, the Lehman Confidentiality Agreement and paragraph 7 of the Memorandum shall cease to apply.

(b) For a period of three years after the Closing Date, the Purchasers, Newco and each of their Affiliates will treat and hold as such, any confidential information concerning the operations or affairs of businesses of the Lockheed Martin Companies (other than the Business). In the event that any of the Purchasers, Newco or any of their Affiliates is requested or required (by oral or written request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand or similar process or by Applicable Law) to disclose any such confidential information, then they will notify Lockheed Martin promptly of the request or requirement so that Lockheed Martin, at its expense, may seek an appropriate protective order or waive compliance with this Section 8.01(b). If, in the absence of a protective order or receipt of a waiver hereunder, any of the Purchasers, Newco or any of their Affiliates is, on the advice of counsel, compelled to disclose such confidential information, they may so disclose the confidential information, provided that they use reasonable efforts to obtain reliable assurance that confidential treatment will be accorded to such confidential information. Notwithstanding the foregoing, the provisions of this Section 8.01(b) shall not apply to information that (i) is or becomes publicly available other than as a result of a disclosure by any of the Purchasers, Newco or any of their Affiliates, (ii) is or becomes available to any of the Purchasers, Newco or any of their Affiliates on a non-confidential basis from a source that, to the Purchasers', Newco's or any of their Affiliates' knowledge, is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation, or (iii) is or has been independently developed by any of the Purchasers, Newco or any of their Affiliates.

(c) Nothing in this Section 8.01 shall abrogate or otherwise limit the fiduciary duties of, and any other duties or restrictions imposed by Applicable Law on, the Individual Purchasers by virtue of their service as a director, officer or employee of any of the Lockheed Martin Companies or their predecessors.

Section 8.02 Provision and Preservation of and Access to Certain Information; Cooperation.

(a) Prior to the Closing Date, each Purchaser shall provide to Lockheed Martin promptly upon its receipt thereof copies of all environmental audit and similar reports with respect to facilities the possession of which will be transferred to Newco at the Closing.

(b) The Individual Purchasers acknowledge that effective as of February 3, 1997, Lockheed Martin turned over day-to-day management of the Business Units to the Individual Purchasers. From the date of this Agreement until the Closing Date, the Individual Purchasers agree to take reasonable steps to ensure that the Business Units conduct their business and operations in accordance with the provisions of Section 7.01. Notwithstanding the foregoing, the Individual Purchasers shall not have liability to any Person for the breach of this Section 8.02(b), it being understood that the effects of a breach of this Section 8.02(b) shall be limited to the effects set forth in Section 13.04(d) and Section 14.02.

(c) On and after the Closing Date, Newco shall preserve all books and records of the Business for a period of five years commencing on the Closing Date (or in the case of books and records relating to tax, employment and employee benefits matters, until such time as Lockheed Martin notifies Newco in writing that all statutes of limitations to which such records relate have expired), and thereafter, not to destroy or dispose of such records without giving notice to Lockheed Martin of such pending disposal and offering Lockheed Martin the right to copy such records at its expense. In the event Lockheed Martin has not copied such materials within 90 days following the receipt of notice from Newco, Newco may proceed to destroy or dispose of such materials without any liability. From and after the Closing Date and subject to any applicable privileges (including, without limitation, the attorney-client privilege), Newco shall at its expense (i) afford Lockheed Martin and its Representatives reasonable access upon reasonable prior notice during normal business hours, to all employees, offices, properties, agreements, records, books and affairs of Newco, and provide copies of such information concerning the Business as Lockheed Martin may reasonably request for any proper purpose, including, without limitation, in connection with the preparation of any tax returns or financial statements or in connection with any judicial, quasi judicial, administrative, tax, audit or arbitration proceeding and in connection with the preparation of any financial statements or reports in accordance with past practices and procedures and (ii) cooperate fully with Lockheed Martin for any proper purpose, including, without limitation, the defense of or pursuit of any Excluded Liability, Excluded Asset or any claim or action that relates to an Excluded Liability or Excluded Asset.

Section 8.03 Insurance; Financial Support Arrangements.

(a) Newco and the Purchasers acknowledge and agree that as of the Closing Date, neither Newco, the Business or any of the Business Units, any property owned or leased by any of the foregoing nor any of the directors, officers, employees (including, without limitation, the Transferred Employees) or agents of any of the foregoing will be insured under any insurance policies maintained by Lockheed Martin or any of its Affiliates, except (i) in the case of certain policies, to the extent that a claim has been reported as of the Closing Date, (ii) in the case of a policy that is an occurrence policy, to the extent the accident, event or occurrence that

results in an insurable loss occurs prior to the Closing Date and has been, is or will be reported or noticed to the respective carrier by Newco or any of the Lockheed Martin Companies in accordance with the requirements of such policies (which claims Lockheed Martin shall, at Newco's cost and expense, pursue diligently on Newco's behalf and the net proceeds of which claims shall be remitted promptly to Newco upon receipt thereof), and (iii) as otherwise provided in Exhibit G or agreed to in writing by the parties. Except as otherwise provided in Exhibit G or as otherwise may be agreed to in writing by the parties, from and after the Closing Date, Lockheed Martin shall have no obligation of any kind to maintain any form of insurance covering all or any part of the Transferred Assets, the Business or the Transferred Employees.

(b) Newco agrees to reimburse Lockheed Martin within 30 days of receipt of an invoice for the items set forth below.

(i) The allocated cost to the Business of premiums, costs and expenses (excluding Lockheed Martin risk management department costs and expenses), including general and administrative charges, for all periods prior to the Closing Date in respect of any and all insurance policies that cover or covered the Business, whether or not a claim has been made or ever will be made by the Business or Newco under such policies. The "allocated cost" to the Business shall be determined by Lockheed Martin in a manner consistent with prior practices and in conjunction with the Cost Disclosure Statement filed by Lockheed Martin or any of its Affiliates and their predecessors with the U.S. Government on the portion of the period covered by the respective policies that ends prior to the Closing Date, except that with respect to policies for which no premium rebate or refund is available as a result of the consummation of the Contemplated Transactions, the "allocated cost" to the Business shall be based on the entire policy period. Newco and the Purchasers understand that Lockheed Martin is in the process of reviewing with the U.S. Government the methodology used by Lockheed Martin and its Affiliates to allocate premiums, costs, expenses and reserves to various businesses and divisions, including the Business Units, and acknowledge that any changes to such allocation methodology may result in retroactive adjustments to the allocated cost to the Business of premiums, costs and expenses. In the event of any such change to the allocation methodology, Lockheed Martin and Newco agree to adjust the allocated costs to the Business (either through a special charge or credit to Newco under this Section 8.03(b)(i)) as appropriate.

(ii) Any self insurance, retention, deductible, retrospective premium, cash payment for reserves calculated or charged on an incurred loss basis and similar items, including but not limited to associated administrative expenses and allocated loss adjustment or similar expenses (collectively, "Insurance Liabilities") allocated to the Business by Lockheed Martin on a basis consistent with past practices resulting from or arising under any and all current or former insurance policies maintained by Lockheed Martin or any of its Affiliates to the extent that such Insurance Liabilities relate to or arise out of the Business or any activities of Newco.

Newco agrees that, to the extent any of the insurers under the insurance policies, in accordance with the terms of the insurance policies, requests or requires collateral, deposits or other security to be provided with respect to claims made against such insurance policies relating to or arising from

the Business, Newco will provide the collateral, deposits or other security or, upon request of Lockheed Martin, will replace any collateral, deposits or other security provided by Lockheed Martin or any of its Affiliates.

(c) Newco agrees that, for a period of at least six years commencing on the Closing Date, to the extent it maintains insurance coverage, Newco will (at Lockheed Martin's cost to the extent of any additional cost therefor, provided that, in the event there will be such a cost, Newco will give Lockheed Martin a reasonable period of time to determine whether it desires to incur such cost before Newco commits to such coverage with respect to Lockheed Martin) include Lockheed Martin and its Affiliates as an additional insured/loss payee on any policies in respect of which Lockheed Martin or its Affiliates has or may have an insurable interest with respect to the Business, the Transferred Assets, any of the Assumed Liabilities or any facilities the possession of which will be transferred to Newco at the Closing.

(d) Newco and the Purchasers agree that, not later than September 30, 1997, and in a manner reasonably satisfactory to Lockheed Martin, Newco will in good faith seek to release Lockheed Martin and its Affiliates from all obligations under all Financial Support Arrangements maintained by Lockheed Martin or any of its Affiliates in connection with the Business.

(e) Lockheed Martin will use reasonable commercial efforts to cause each Financial Support Arrangement to remain in full force and effect in accordance with its terms until the earliest of (i) the date (the "Release Date") on which Newco ensures that Lockheed and its Affiliates are released from all obligations of Lockheed Martin and its Affiliates under such Financial Support Arrangement in accordance with Section 8.03(d), (ii) September 30, 1997 and (iii) the date such Financial Support Arrangement terminates in accordance with its terms. After the Closing Date and prior to the Release Date for any such Financial Support Arrangement, Lockheed Martin will not waive any requirements of or agree to amend such Financial Support Arrangement without the prior written consent of Newco.

(f) If, after the Closing Date, (i) any amounts are drawn on or paid under any Financial Support Arrangement where Lockheed Martin or any of its Affiliates is obligated to reimburse the Person making such payment or (ii) Lockheed Martin or any of its Affiliates pays any amounts under, or any fees, costs or expenses relating to, any Financial Support Arrangement, Newco shall pay Lockheed Martin such amounts promptly after receipt from Lockheed Martin of notice thereof accompanied by written evidence of the underlying payment obligation.

(g) In the event that Newco fails to ensure that Lockheed Martin and its Affiliates are released from all obligations under the Financial Support Arrangements not later than September 30, 1997, Newco shall either (i) promptly deposit with Lockheed Martin cash in an amount equal to the aggregate principal or stated amount, as may be applicable, of the Financial Support Arrangements not so released or (ii) provide back-up letters of credit in form and substance reasonably satisfactory to Lockheed Martin with respect to such Financial Support Arrangements; provided that if Newco has used reasonable commercial efforts to structure its financing arrangements to permit it to comply with the foregoing obligations, Newco shall not be required to take any action under this Section 8.03(g) that it is prohibited from taking under the terms of any financing agreements of Newco in effect on the Closing Date. Any cash deposited with Lockheed Martin in accordance with

clause (i) shall be held by Lockheed Martin in a segregated interest-bearing account and shall be used by Lockheed Martin solely to satisfy its payment obligations in respect of such Financial Support Arrangements, and the unused portion of any cash (including interest) relating to a Financial Support Arrangement shall be returned to Newco promptly after the occurrence of the Release Date with respect to, or any other termination of, the Financial Support Arrangement.

(h) In the event that Newco fails to ensure that Lockheed Martin and its Affiliates are released from all obligations of Lockheed Martin and its Affiliates under the Disclosed Financial Support Arrangements not later than September 30, 1997, whether as a result of the proviso to the first sentence of Section 8.03(g) or otherwise, and to the extent that Newco has not provided the deposits or letters of credit contemplated by the first sentence of Section 8.03(g), on October 1, 1997 and on the first day of each calendar quarter thereafter Newco agrees to pay to Lockheed Martin an amount equal to (i) .3125% of the maximum aggregate potential liability of Lockheed Martin and its Affiliates under such Disclosed Financial Support Arrangements in the case of performance-related Disclosed Financial Support Arrangements or (ii) .625% of the maximum aggregate potential liability of Lockheed Martin and its Affiliates under such Disclosed Financial Support Arrangements in the case of all other Disclosed Financial Support Arrangements (other than Disclosed Financial Support Arrangements that constitute non-monetary performance guarantees or similar non-monetary obligations) that have not been released or otherwise secured by the deposits or letters of credit contemplated by the first sentence of Section 8.03(g) (determined as of the last day of the preceding calendar quarter). Any such payment by Newco shall be due and payable on October 1, 1997 or on the first day of the applicable calendar month thereafter, and shall be nonrefundable regardless of any subsequent reduction of the liability of Lockheed Martin or any of its Affiliates thereunder.

Section 8.04 Non-Solicitation of Employees. From and after the date of this Agreement until the second anniversary of the Closing Date, Newco shall not, without prior written approval of Lockheed Martin, directly or indirectly (through Affiliates or otherwise), knowingly solicit any individual (other than individuals identified in Attachment XI) who at that time is an employee of any of the Lockheed Martin Companies (other than a Transferred Employee) to terminate his or her relationship with the Lockheed Martin Companies and will not knowingly hire any individual inadvertently solicited; provided, however, that the foregoing shall not apply to individuals solicited or hired as a result of the use of an independent employment agency (so long as the agency was not directed to solicit such individual and Newco advises its Manager of Human Resources of the provisions of this Section 8.04) or solicited or hired as a result of the use of a general solicitation (such as an advertisement) not specifically directed to employees of the Lockheed Martin Companies.

Section 8.05 Financing. Newco shall use reasonable commercial efforts to obtain (on or prior to the Closing Date) sufficient funds on commercially available terms acceptable to Newco in its sole discretion (i) to pay the cash portion of the Exchange Consideration and (ii) to obtain adequate working capital for the Business, provided that Newco shall not be considered to be in breach of this Agreement if, notwithstanding its use of reasonable commercial efforts as aforesaid, Newco does not have sufficient funds available for such purposes on the Closing Date.

Section 8.06 Use of Certain Trademarks, etc. Newco acknowledges and agrees that it is not obtaining any rights or licenses with respect to the names "Lockheed Martin," "Lockheed," "Loral," "Martin Marietta" or any derivative thereof, or to their logos or trade dress, or to any other Intellectual Property not constituting a Transferred Asset or not licensed to it under the License Agreements. As soon as practicable following the Closing, but no later than 180 days after the Closing Date, Newco shall remove and change signage, change and substitute promotional and advertising material in whatever medium, change stationery and packaging and take all such other steps as may be required or appropriate to cease use of all such Intellectual Property not constituting a Transferred Asset or not licensed to it under the License Agreements; provided, however, that nothing in this Agreement shall obligate Newco to change or copy over any engineering drawings, prints or copies of correspondence, invoices and other documents prepared prior to the Closing Date or to replace or alter any tools or dies included in the Transferred Assets.

Section 8.07 Government Contract Novation; Cooperation. Newco shall provide to Lockheed Martin and each Responsible Contracting Officer all information necessary to obtain the consent of the U.S. Government to recognize Newco as the successor in interest to all of the Government Contracts being sold, assigned, transferred and conveyed to Newco in accordance with this Agreement. Newco shall use commercially reasonable efforts to obtain all consents, approvals and waivers required for the purpose of processing, entering into and completing the Novation Agreement with regard to any of the Government Contracts, including responding to any requests for information by the U.S. Government with regard to such Novation Agreement.

Section 8.08 Reimbursement of Damages. Newco shall use reasonable commercial efforts to obtain reimbursement of any Damages suffered by it that are subject to indemnification by Lockheed Martin hereunder as a reimbursable cost under Government Contracts, provided the reimbursement of such Damages is permitted by Applicable Law.

ARTICLE IX

COVENANTS OF THE PARTIES

Section 9.01 Further Assurances. Subject to the terms and conditions of this Agreement, each party shall use all reasonable commercial efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under Applicable Laws to consummate the Contemplated Transactions. Lockheed Martin, Newco and the Purchasers shall execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable in order to consummate or implement expeditiously the Contemplated Transactions. Except as otherwise expressly set forth in the Transaction Documents, nothing in this Section 9.01 shall require Lockheed Martin, Newco or any of the Purchasers to make any payments in order to obtain any consents or approvals necessary or desirable in connection with the consummation of the Contemplated Transactions.

Section 9.02 Certain Filings; Consents. Lockheed Martin, Newco and the Purchasers shall cooperate with one another (i) in determining whether any action by or in respect of, or filing with, any Governmental Authority is

required, or any actions, consents, approvals or waivers are required to be obtained from parties to any material Contracts, in connection with the consummation of the Contemplated Transactions and (ii) subject to the terms and conditions of this Agreement, in taking such actions or making any such filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers.

Section 9.03 Public Announcements. Prior to the Closing, Lockheed Martin, Newco and the Purchasers shall consult with each other before issuing any press release or making any public statement or communicating with the U.S. Government as a customer with respect to this Agreement or the Contemplated Transactions and, except as may be required by Applicable Law or any listing agreement with any national or international securities exchange, will not issue any such press release or make any such public statement prior to such consultation. Notwithstanding the foregoing, no provision of this Agreement (except as set forth in Section 8.01) shall relieve Lehman from any of its obligations under the Lehman Confidentiality Agreement, or relieve the Individual Purchasers from any of their respective obligations under paragraph 7 of the Memorandum, or terminate any of the restrictions imposed upon any party by Section 8.01.

Section 9.04 Intellectual Property; License Agreements.

(a) In consideration of the grant described in Section 9.04(b), Lockheed Martin shall grant to Newco, effective as of the Closing Date and pursuant to a License Agreement, a fully paid-up, worldwide, perpetual, non-exclusive license in respect of all Intellectual Property owned by Lockheed Martin that is used or currently planned for use by the Business (but not constituting Transferred Assets) on the Closing Date, for such uses and currently planned uses by Newco and its Affiliates. Such license shall not be transferable by Newco other than in connection with the sale or transfer of all or a substantial portion (it being understood that the sale of a Business Unit shall be deemed a substantial portion) of the Business by Newco.

(b) In consideration of the grant described in Section 9.04(a), Newco shall grant to the Lockheed Martin Companies, effective as of the Closing Date and pursuant to a License Agreement, a fully paid-up, world-wide, perpetual, non-exclusive license in respect of all Intellectual Property constituting Transferred Assets (i) that is used or currently planned for use by the Lockheed Martin Companies (other than the Business Units) on the Closing Date, for such uses and currently planned uses by Lockheed Martin and its Affiliates or (ii) used by Newco after the Closing Date in connection with the manufacture of any products for sale to, or the provision of any services to, any of the Lockheed Martin Companies pursuant to any agreement between Newco and any of the Lockheed Martin Companies that is breached by Newco, for use by Lockheed Martin and its Affiliates in making or using such products or providing such services (other than in the case of clause (ii), the duration for which shall be an appropriate length of time to permit completion of manufacture or services). The license granted pursuant to clause (i) of the preceding sentence shall be effective as of the Closing Date and the license granted pursuant to clause (ii) of the preceding sentence shall be effective as of the date that the agreement described therein is breached by Newco. Such license shall not be transferable by Lockheed Martin other than in connection with the sale or transfer of all or a substantial portion of a business by Lockheed Martin.

(c) Newco acknowledges and agrees that it shall hold all Intellectual Property constituting part of the Transferred Assets subject to any licenses thereof granted by Lockheed Martin and its Affiliates prior to the Closing Date.

(d) The transfer of Intellectual Property constituting Transferred Assets to Newco shall not affect Lockheed Martin's right to use, disclose or otherwise freely deal with any know-how, trade secrets and other technical information not constituting Transferred Assets that is resident on the Closing Date at businesses of the Lockheed Martin Companies other than the Business.

Section 9.05 HSR Act. The parties shall take all actions necessary or appropriate to cause the prompt expiration or termination of any applicable waiting period under the HSR Act in respect of the Contemplated Transactions, including, without limitation, complying as promptly as practicable with any requests for additional information; provided that Newco shall not be required to provide any undertakings or comply with any condition that, in its good faith judgment, would materially and adversely diminish Newco's rights under this Agreement or materially and adversely affect its business, results or operations.

Section 9.06 Operation of Newco. From and after the date of this Agreement through the Closing, Newco will not engage in or conduct any activities other than activities that are necessary or appropriate in connection with the consummation of the Contemplated Transactions.

Section 9.07 Maintenance of Insurance Policies. Notwith-standing any provision to the contrary in this Agreement, this Section 9.07 shall constitute the parties' agreement regarding the allocation of insurance proceeds with respect to claims for liabilities that arise under or relate to Environmental Laws that are comprised, in whole or in part, of Environmental Liabilities that constitute Assumed Liabilities (the "Environmental Insurance Claims"). Newco and the Purchasers acknowledge that Lockheed Martin shall control the Environmental Insurance Claims and shall have the right to compromise or settle any Environmental Insurance Claims. Lockheed Martin will act in good faith and with reasonable prudence to maximize recovery with respect to the Environmental Insurance Claims and will allocate any recovery received with respect to such Environmental Insurance Claims, first, to the costs it incurred to collect such recovery and all net tax costs related to such recovery, and second, to reimburse any Governmental Authority, prime contractor or subcontractor pursuant to a Government Contract.

With respect to any recovery remaining (the "Remaining Recovery"):

(i) if the recovery applies to liabilities that are Assumed Liabilities and to liabilities that are not Assumed Liabilities, and the recovery was not designated as arising from specific liabilities (e.g., a global settlement with an insurance carrier), Lockheed Martin will pay Newco an amount equal to the Remaining Recovery multiplied by X multiplied by (one minus Y); where X equals the total of the Environmental Insurance Claims (estimated as of the date of recovery) under said insurance policies divided by the total environmental and other claims by Lockheed Martin under said insurance policies; and Y equals Lockheed Martin's past expenditures on said liabilities divided by the total estimated expenditures made or to be made by Lockheed

Martin or Newco in respect of said liabilities (estimated as of the date of recovery), or

(ii) if the recovery was designated as arising from a specific liability that is an Assumed Liability, Lockheed Martin will pay Newco the Remaining Recovery multiplied by (one minus Y).

Any obligations assumed in any such compromise or settlement of the Environmental Insurance Claims will be apportioned between Lockheed Martin and Newco in the same proportion as a recovery would be allocated pursuant to this Section 9.07.

Section 9.08 Legal Privileges. Lockheed Martin and Newco acknowledge and agree that all attorney-client, work product and other legal privileges that may exist with respect to the Transferred Assets or the Assumed Liabilities, shall, from and after the Closing Date, be deemed joint privileges of Lockheed Martin and Newco. Both Lockheed Martin and Newco shall use all commercially reasonable efforts after the Closing Date to preserve all such privileges and neither Lockheed Martin nor Newco shall knowingly waive any such privilege without the prior written consent of the other party (which consent will not be unreasonably withheld or delayed).

Section 9.09 Non-Compete. Lockheed Martin, Newco and the Purchasers covenant and agree that prior to the Closing Date they will discuss in good faith the scope and nature of an appropriate non-competition agreement to provide reasonable commercial protection to Newco for periods to be mutually agreed upon of up to three years with respect to the material core businesses of the Business while providing the Lockheed Martin Companies the ability to continue, without impediment, all of its existing businesses and currently planned businesses (other than those conducted only through the Business Units), to enter into businesses reasonably related to its exiting businesses and currently planned businesses, to make acquisitions and to otherwise provide third-party sourced products similar to those manufactured or sold by the Business as part of larger systems manufactured or sold by the Lockheed Martin Companies. The non-competition agreement also will provide reasonable commercial protection to the Lockheed Martin Companies on programs where Newco performs substantial subcontract work for the Lockheed Martin Companies, it being understood that this provision shall not prohibit Newco from entering into subcontract agreements with other Persons on programs that compete against the Lockheed Martin Companies, provided that appropriate safeguards (including, for example, "firewalls" and confidentiality agreements) are implemented and in place to protect the proprietary and confidential information of the Lockheed Martin Companies. For the purposes of any such non-competition agreement, (i) the businesses operated and managed by Lockheed Martin on behalf of the U.S. Government, including the Department of Energy, shall not be included within the prohibitions, and (ii) "currently planned" businesses of the Lockheed Martin Companies shall mean those businesses that Lockheed Martin can demonstrate are affirmatively under consideration as of the Closing Date.

ARTICLE X

TAX MATTERS

Section 10.01 Tax Matters. The parties agree as to tax matters as set forth in Exhibit F.

ARTICLE XI

EMPLOYEE BENEFIT MATTERS

Section 11.01 Employee Benefit Matters. The parties agree as to employee benefit matters as set forth in Exhibit G.

ARTICLE XII

CONDITIONS TO CLOSING

Section 12.01 Conditions to the Obligations of Each Party. The obligations of Lockheed Martin, Newco and the Purchasers to consummate the Closing are subject to the satisfaction (or waiver) of the following conditions:

(a) Any applicable waiting period under the HSR Act relating to the Contemplated Transactions shall have expired or been terminated;

(b) No provision of any Applicable Law or regulation and no judgment, injunction, order or decree shall prohibit the Closing, and no action or proceeding shall be pending before any court, arbitrator or governmental body, agency or official with respect to which counsel reasonably satisfactory to Lockheed Martin, Newco and the Purchasers shall have rendered a written opinion that there is a substantial likelihood of a determination that would prohibit the Closing;

(c) All actions by or in respect of or filings with any Governmental Authority required to permit the consummation of the Closing shall have been obtained;

(d) Lockheed Martin, Newco and the Purchasers shall have executed and delivered the Common Stock Subscription Agreements and the Stockholders Agreement in substantially the forms attached as Attachments IV and V, and shall have executed and delivered the Exchange Agreement in substantially the form attached to the Transfer Agreement attached as Attachment III, the Interim Services Agreement, the License Agreements, the Supply Agreement and the leases, subleases and assignment agreements referred to in Section 2.01(viii) and the agreement referred to in Section 2.01(ix);

(e) Lockheed Martin and Newco shall have executed and delivered the noncompetition agreement contemplated by Section 9.09;

(f) Lockheed Martin or the applicable Affiliated Transferor, as the case may be, shall have obtained the consents, approvals or permits contemplated by Attachment X; and

(g) There shall be (i) no conditions requested of Lockheed Martin by the PBGC or of Newco by Lockheed Martin, in connection with the transfer of all of the assets and liabilities of the Spinoff Plans or the Assumed Plans, that are in either party's reasonable good faith judgment unacceptable to either Lockheed Martin (as to conditions requested of Lockheed Martin by the PBGC) or Newco (as to conditions requested of Newco by Lockheed Martin); or (ii) no commencement of proceedings by the PBGC to terminate any Lockheed Martin Pension Plan (or a reasonable good faith determination of Newco or

Lockheed Martin that the commencement of such proceedings is reasonably likely).

Section 12.02 Conditions to Obligation of Newco and the Purchasers. The obligations of Newco and the Purchasers to consummate the Closing are subject to the satisfaction (or waiver by Newco and the Purchasers) of the following further conditions:

(a) (i) Lockheed Martin shall have performed in all material respects all of its obligations under the Transaction Documents required to be performed by it on or prior to the Closing Date, (ii) the representations and warranties of Lockheed Martin contained in the Transaction Documents shall be complete and correct (in all material respects, in the case of those representations and warranties which are not by their express terms qualified by reference to materiality) at and as of the date of this Agreement and as of the Closing Date, as if made at and as of each such date, except that those representations and warranties which are by their express terms made as of a specific date shall be complete and correct (in all material respects, in the case of those representations and warranties which are not by their express terms qualified by reference to materiality) only as of such date, and (iii) Newco shall have received a certificate signed by an executive officer of Lockheed Martin to the foregoing effect;

(b) Newco has sufficient funds available to pay the cash portion of the Exchange Consideration for the Transferred Assets, provided that this Section 12.02(b) shall not be a condition to Newco and the Purchasers' obligation to consummate the Closing unless the representations and warranties set forth in Section C.08 of Exhibit C and Section D.06 of Exhibit D shall be, and continue to be, accurate and Newco shall have complied in all material respects with its obligations under Section 8.05;

(c) The Purchasers shall have completed their review of the litigation titled Universal Navigation v. Loral Corporation and the results of such review shall be satisfactory to the Purchasers;

(d) Since December 31, 1996, there shall not have been any material adverse change in the assets, properties, business, financial condition or results of operations of the Business taken as a whole or any developments that reasonably could be expected to result in such a change;

(e) Lockheed Martin, the applicable Affiliated Transferor or Newco, as the case may be, shall have obtained the consents, approvals or permits contemplated by Attachment X;

(f) Newco shall have obtained such surveys and title insurance in respect of the Owned Real Property as are sufficient to satisfy Newco's lenders and to enable Newco to obtain financing; and

(g) Lockheed Martin shall have furnished Newco with an opinion dated the Closing Date concerning the matters set forth in Attachment XII.

Section 12.03 Conditions to Obligation of Lockheed Martin. The obligation of Lockheed Martin to consummate the Closing is subject to the satisfaction (or waiver by Lockheed Martin) of the following further conditions:

(a) (i) Newco and the Purchasers shall have performed in all material respects all of their respective obligations under the Transaction Documents required to be performed by them at or prior to the Closing Date, (ii) the representations and warranties of Newco and the Purchasers contained in the Transaction Documents shall be complete and correct (in all material respects, in the case of those representations and warranties which are not by their express terms qualified by reference to materiality) at and as of the date of this Agreement and as of the Closing Date, as if made at and as of each such date, except that those representations and warranties which are by their express terms made as of a specific date shall be complete and correct (in all material respects, in the case of those representations and warranties which are not by their express terms qualified by reference to materiality) only as of such date, and (iii) Lockheed Martin shall have received certificates signed by executive officers of Newco (as to Newco) and Lehman (as to Lehman), and certificates signed by each of the Individual Purchasers, to the foregoing effect; and

(b) Newco shall have furnished Lockheed Martin with an opinion dated the Closing Date covering the matters set forth in Attachment XIII.

Section 12.04 Effect of Waiver. Any waiver by Newco and the Purchasers of the conditions specified in clause (ii) of Section 12.02(a) and any waiver by Lockheed Martin of the conditions specified in clause (ii) of Section 12.03, if made knowingly, shall also be deemed a waiver by such Person of any claim for Damages as the result of the matters waived.

ARTICLE XIII

SURVIVAL; INDEMNIFICATION

Section 13.01 Survival. None of the representations and warranties of the parties contained in any Transaction Document or in any certificate or other writing delivered pursuant to any Transaction Document or in connection with any Transaction Document shall survive the Closing, except for:

(i) the representations and warranties in Sections B.01, B.02, B.07(b) and B.12 shall survive indefinitely;

(ii) the representations and warranties in Section B.13 shall not survive the Closing Date;

(iii) the representations and warranties in Section B.15 shall survive for a period of three years from the Closing Date;

(iv) the representations and warranties in Section B.21 shall survive until 30 days after the expiration of the applicable statute of limitations (or extensions or waivers thereof);

(v) the representations and warranties in Exhibit B (other than those Sections of Exhibit B referenced in the preceding clauses (i), (ii), (iii) and (iv)), shall survive for a period of two years from the Closing Date;

(vi) the representations and warranties included in Exhibit F shall survive until 30 days after the expiration of the applicable statute of limitations (or extensions or waivers thereof);

(vii) the representations and warranties in Sections C.01, C.02 and C.05 shall survive indefinitely;

(viii) the representations and warranties in Exhibit C (other than those Sections of Exhibit C referenced in the preceding clause (vii)) shall survive for a period of two years from the Closing Date;

(ix) the representations and warranties in Sections D.03 shall survive indefinitely;

(x) the representations and warranties in Exhibit D (other than the representations and warranties in Section D.03), shall survive for a period of two years from the Closing Date;

(xi) the representations and warranties in Sections E.01, E.02 and E.05 shall survive indefinitely; and

(xii) the representations and warranties in Exhibit E (other than those Sections of Exhibit E referenced in the preceding clause (xi)) shall survive for a period of two years from the Closing Date.

The covenants and agreements of the parties in the Transaction Documents and the representations and warranties referenced in the preceding clauses (i) and (iii) through (xii) are referred to herein as the "Surviving Representations or Covenants." It is understood and agreed that, (1) before the Closing the remedies expressly set forth in Article XIV are the sole and exclusive remedies for any breach of any representation, warranty or covenant and (2) following the Closing the sole and exclusive remedy with respect to any breach of any representation, warranty or covenant (other than (i) with respect to a breach of the terms of a covenant, as to which Newco or Lockheed Martin, as the case may be, shall be entitled to seek specific performance or other equitable relief and (ii) with respect to claims for fraud or for willful breach of a covenant) shall be a claim for Damages made pursuant to this Article XIII.

Section 13.02 Indemnification.

(a) Effective as of the Closing and subject to the limitations set forth in Section 13.04(a), Newco hereby indemnifies Lockheed Martin and its Affiliates and their respective directors, officers, employees and agents, against and agrees to hold them harmless from any and all Damages incurred or suffered by any of them arising out of or related in any way to (i) any misrepresentation or breach of any Surviving Representation or Covenant made or to be performed by Newco pursuant to any of the Transaction Documents, (ii) the Assumed Liabilities (including, without limitation, Newco's failure to perform or in due course pay and discharge any Assumed Liability) or (iii) any Financial Support Arrangement referred to in Section 8.03(b).

(b) Effective as of the Closing and subject to the limitations set forth in Section 13.04(b), Lockheed Martin hereby indemnifies Newco and its Affiliates and their respective directors, officers, employees and agents against and agrees to hold them harmless from any and all Damages incurred or suffered by any of them arising out of or related in any way to (i) any misrepresentation or breach of any Surviving Representation or Covenant made or to be performed by the Lockheed Martin Companies pursuant to any Transaction Document, (ii) the Excluded Liabilities (including, without limitation, Lockheed Martin's (or any other Lockheed Martin Company's)

failure to perform or in due course pay and discharge any Excluded Liability), (iii) the assumption by Newco of Environmental Liabilities arising out of, relating to, based on or resulting from actions taken (or failures to take action), conditions existing or events occurring prior to the Closing, (iv) the Camden CAS 410 Issue, or (v) the Sarasota Asset Step-Up Issue; provided, however, that Newco shall not have suffered or be deemed to have suffered any Damages in the case of the foregoing clauses (iii), (iv), and (v) to the extent that such Damages are recoverable as an allowable cost under Applicable Law or under the terms of any applicable Government Contracts.

(c) Effective as of the Closing and subject to the limitations set forth in Section 13.04(c), each of the Purchasers hereby, severally and not jointly with the other Purchasers, indemnifies each of the other parties to this Agreement and their respective Affiliates and their respective directors, officers, employees and agents, against and agrees to hold them harmless from any and all Damages incurred or suffered by any of them arising out of or related in any way to any breach of any Surviving Representation or Covenant made or to be performed by the Purchasers pursuant to any of the Transaction Documents.

Section 13.03 Procedures.

(a) If Lockheed Martin or any of its Affiliates or any of their directors, officers, employees and agents, shall seek indemnification pursuant to Section 13.02(a) or Section 13.02(c), or if Newco or any of its Affiliates or any of their directors, officers, employees and agents, shall seek indemnification pursuant to Section 13.02(b), such Person seeking indemnification (the "Indemnified Party") shall give written notice to the party from whom such indemnification is sought (the "Indemnifying Party") promptly (and in any event within 30 days) after the Indemnified Party (or, if the Indemnified Party is a corporation, any officer of the Indemnified Party) becomes aware of the facts giving rise to such claim for indemnification (an "Indemnified Claim") specifying in reasonable detail the factual basis of the Indemnified Claim, stating the amount of the Damages, if known, the method of computation thereof, and containing a reference to the provision of the Transaction Documents in respect of which such Indemnified Claim arises. The failure of an Indemnified Party to provide notice pursuant to this Section 13.03 shall not constitute a waiver of that party's claims to indemnification pursuant to Section 13.02 in the absence of, and then only to the extent of, material prejudice to the Indemnifying Party. If the Indemnified Claim arises from the assertion of any claim, or the commencement of any suit, action, proceeding or Remedial Action brought by a Person that is not a party hereto (a "Third Party Claim")any such notice to the Indemnifying Party shall be accompanied by a copy of any papers theretofore served on the Indemnified Party in connection with such Third Party Claim. With respect to any Third Party Claim asserted or brought prior to the Closing Date, notice of such Third Party Claim shall be deemed to have been delivered on the Closing Date.

(b) (i) Upon receipt of notice of a Third Party Claim from an Indemnified Party pursuant to Section 13.03(a), the Indemnifying Party will, subject to the other provisions of this Section 13.03(b), assume the defense and control of such Third Party Claim but shall allow the Indemnified Party a reasonable opportunity to participate in the defense thereof with its own counsel and at its own expense. The Indemnifying Party shall select counsel, contractors and consultants of recognized

standing and competence after consultation with the Indemnified Party; shall take all steps necessary in the defense or settlement thereof; and shall at all times diligently and promptly pursue the resolution thereof. In conducting the defense thereof, the Indemnifying Party shall at all times act as if all Damages relating to such Third Party Claim were for its own account and shall act in good faith and with reasonable prudence to minimize Damages therefrom. The Indemnified Party shall, and shall cause each of its Affiliates, directors, officers, employees, and agents to, cooperate fully with the Indemnifying Party in the defense of any Third Party Claim defended by the Indemnifying Party.

(ii) The Indemnifying Party shall give prompt and continuing notice to the other Indemnified Party of any Third Party Claims that the Indemnifying Party reasonably believes may: (1) result in the assertion of criminal liability on the part of the Indemnified Party or any of its Affiliates, directors, officers, employees or agents; (2) adversely affect the ability of the Indemnified Party to do business in any jurisdiction or in any manner or with any customer; or (3) materially affect the reputation of the Indemnified Party or any of its Affiliates, directors, officers, employees or agents.

(iii) Subject to the provisions of Section 13.03(b)(iv) and Section 13.03(b)(v), the Indemnifying Party shall be authorized to consent to a settlement of, or the entry of any judgment arising from, any Third Party Claims, without the consent of any Indemnified Party; provided, that the Indemnifying Party shall (1) pay or cause to be paid all amounts arising out of such settlement or judgment concurrently with the effectiveness thereof; (2) shall not encumber any of the assets of any Indemnified Party or agree to any restriction or condition that would apply to such Indemnified Party or to the conduct of that party's business; and (3) shall obtain, as a condition of any settlement or other resolution, a complete release of each Indemnified Party. Except for the foregoing, no settlement or entry of judgment in respect of any Third Party Claim shall be consented to by any Indemnifying Party without the consent of the Indemnified Party, which consent shall not be unreasonably withheld.

(iv) An Indemnified Party may elect to share the defense of a Third Party Claim the defense of which has been assumed by the Indemnifying Party pursuant to Section 13.03(b)(ii). In that event, the Indemnified Party will so notify the Indemnifying Party in writing. Thereafter, the Indemnifying Party and the Indemnified Party shall participate on an equal basis in the defense, management and control of any such claim. The Indemnifying Party and the Indemnified Party shall select mutually satisfactory counsel, contractors and consultants to conduct the defense or settlement thereof (the costs and expenses of which shall be shared equally by the Indemnifying Party and the Indemnified Party), and shall at all times diligently and promptly pursue the resolution thereof. Notwithstanding the foregoing, Newco shall manage all Remedial Actions conducted with respect to facilities which constitute Transferred Assets or at which Newco will undertake operations pursuant to this Agreement, provided that Lockheed Martin and its Representatives shall have the right, consistent with Newco's right to manage such Remedial Actions as aforesaid, to participate fully in all decisions regarding any Remedial Action, including reasonable access to sites where any Remedial Action is being conducted, reasonable access to all documents, correspondence,

data, reports or information regarding the Remedial Action, reasonable access to employees and consultants of Newco with knowledge of relevant facts about the Remedial Action and the right to attend all meetings and participate in any telephone or other conferences with any government agency or third party regarding the Remedial Action.

(v) In the case of the indemnification contemplated by clauses (iii), (iv) and (v) of Section 13.02(b), in the event that either the Indemnified Party or the Indemnifying Party desires to settle the matters referenced therein or consent to the entry of any judgment arising thereunder and the other party does not wish to consent to such settlement, the other party shall have no obligation to consent to the settlement provided that it agrees in writing to pay and be responsible for 100% of any Damages thereafter incurred; provided that no Indemnified Party shall be required to consent to any settlement or agree to be responsible for the payment of Damages thereafter incurred with respect to any matter the settlement of which would require the consent of such Indemnified Party pursuant to Section 13.03(b)(iii). The obligation of the party that rejects any proposed settlement offer or entry of any such judgment to pay and be responsible for 100% of any Damages thereafter incurred in accordance with this Section 13.03(b)(v) shall be conditioned upon and subject to the payment, within five Business Days of the date such party provides the written agreement contemplated by the preceding sentence, of an amount, in immediately available funds, equal to the portion of the total settlement that would have been payable by the party desiring to settle the matter or consent to the entry of any such judgment according to the percentage sharing arrangement contemplated by Section 13.04(b)(ii) or Section 13.04(b)(iii), as the case may be. Thereafter, the party that rejects the proposed settlement shall be solely responsible for the defense of the matter that is the subject of the proposed settlement.

(c) If the Indemnifying Party and the Indemnified Party are unable to agree with respect to a procedural matter arising under Section 13.03(b)(iv), the Indemnifying Party and the Indemnified Party shall, within 10 days after notice of disagreement given by either party, agree upon a third-party referee ("Referee"), who shall be an attorney and who shall have the authority to review and resolve the disputed matter. The parties shall present their differences in writing (each party simultaneously providing to the other a copy of all documents submitted) to the Referee and shall cause the Referee promptly to review any facts, law or arguments either the Indemnifying Party or the Indemnified Party may present. The Referee shall be retained to resolve specific differences between the parties within the range of such differences. Either party may request that all oral arguments presented to the Referee by either party be in each other's presence. The decision of the Referee shall be final and binding unless both the Indemnifying Party and the Indemnified Party agree. The parties shall share equally all costs and fees of the Referee.

Section 13.04 Limitations. Notwithstanding anything to the contrary in this Agreement or in any of the Transaction Documents:

(a) Newco shall only have liability to Lockheed Martin and its Affiliates with respect to the representations and warranties described in clause (i) of Section 13.02(a) if such matters were the subject of a written notice given by the Indemnified Party pursuant to Section 13.03(a) within the

period following the Closing Date specified for each respective matter in Section 13.01.

(b) Lockheed Martin shall only have liability to Newco or any other Person hereunder:

(i) with respect to the representations and warranties described in clause (i) of Section 13.02(b), (y) to the extent that the aggregate Damages of all Indemnified Parties as the result thereof exceed $5,000,000 but are not greater than $55,000,000 (it being understood that Lockheed Martin's maximum liability under Section 13.02(b)(i) with respect to representations and warranties and this Section 13.04(b)(i) shall be $50,000,000), and (z) if such matters were the subject of a written notice given by the Indemnified Party pursuant to Section 13.03(a) within the period following the Closing Date specified for each respective matter in Section 13.01;

(ii) with respect to the matters described in clause (iii) of Section 13.02(b) (after giving effect to the proviso thereto), (y) to the extent of 50% of the aggregate Damages incurred within eight years following the Closing Date by all Indemnified Parties as the result thereof, and (z) to the extent of 40% of the aggregate Operation and Maintenance Costs incurred by all Indemnified Parties after the eighth anniversary of the Closing Date and within 15 years following the Closing Date; provided, however, that Lockheed Martin shall only have liability under Section 13.02(b)(iii) or this Section 13.04(b)(ii) for Damages and Operation and Maintenance Costs incurred after the Closing Date in excess of $6,000,000;

(iii) with respect to the matters described in clause (iv) of Section 13.02(b) (after giving effect to the proviso thereto), (y) to the extent of 75% of the aggregate Damages incurred by an Indemnified Party as the result thereof, and (z) to the extent such Damages were incurred within three years following the Closing Date; and

(iv) with respect to the matters described in clause (v) of Section 13.02(b) (after giving effect to the proviso thereto), (y) to the extent of 75% of the aggregate Damages incurred by an Indemnified Party as the result thereof, and (z) to the extent such Damages were incurred within three years following the Closing Date.

(c) The Purchasers shall only have liability to Lockheed Martin and its Affiliates with respect to the representations and warranties described in Section 13.02(c) if such matters were the subject of a written notice given by the Indemnified Party pursuant to Section 13.03(a) within the period following the Closing Date specified for each respective matter in Section 13.01.

(d) Lockheed Martin shall not be liable to Newco or any other Person hereunder for any Damages that result from a breach of the provisions of Section 7.01 if such breach results from a breach by either of the Individual Purchasers of Section 8.02(b).

(e) Lockheed Martin shall not be liable to Newco or any other Person under this Article XIII for any Damages that result from any breach of any representation or warranty made by Lockheed Martin hereunder to the extent such representation or warranty is expressly qualified by reference to the

knowledge of the Individual Purchasers or a substantially similar clause relating to their knowledge if either of the Individual Purchasers had such knowledge as of the Closing.

ARTICLE XIV

TERMINATION

Section 14.01 Termination. The Transaction Documents may be terminated at any time prior to the Closing:

(i) by mutual written agreement of Lockheed Martin and the Purchasers;

(ii) by Lockheed Martin or the Purchasers (as a group) if the Closing shall not have been consummated by May 30, 1997; provided, however, that neither Lockheed Martin nor a Purchaser may terminate the Transaction Documents pursuant to this clause (ii) if the Closing shall not have been consummated by May 30, 1997, by reason of the failure of such party or any of its Affiliates to perform in all material respects any of its or their respective covenants or agreements contained in the Transaction Documents; provided further, that either Lockheed Martin or Newco and the Purchasers (as a group) shall be entitled to terminate the Transaction Documents prior to May 30, 1997, if such party or parties, as the case may be, shall reasonably conclude that any condition to such party's or parties' obligations hereunder (as set forth in Section 12.01 with respect to Lockheed Martin, Newco and the Purchasers, Section 12.02 with respect to Newco and the Purchasers, and Section 12.03 with respect to Lockheed Martin) cannot reasonably be expected to be satisfied prior to May 30, 1997; and provided, further, that as a condition to the right of a party to elect to terminate the Transaction Documents pursuant to the immediately preceding proviso, the party shall first provide ten Business Days prior notice to the other party specifying in reasonable detail the nature of the condition that such party has concluded will not be satisfied, and the other party shall be entitled during such ten Business Day period to take any actions it may elect consistent with the terms of this Agreement such that the condition reasonably could be expected to be satisfied prior to the expiration of such time period;

(iii) by either Lockheed Martin or Newco and the Purchasers (as a group) if there shall be any law or regulation that makes consummation of the Contemplated Transactions illegal or otherwise prohibited or if consummation of the Contemplated Transactions would violate any nonappealable final order, decree or judgment of any court or Governmental Authority having competent jurisdiction; and

(iv) in accordance with the provisions of Section 15.13.

Any party desiring to terminate this Agreement pursuant to this Section 14.01 shall give written notice of such termination to the other parties to this Agreement.

Section 14.02 Effect of Termination. If this Agreement is terminated as permitted by Section 14.01, such termination shall be without liability of any party (or any Affiliate, shareholder, director, officer, employee, agent, consultant or representative of such party) to any other party to this Agreement; provided, however, that if the Contemplated Transactions fail to close as a result of a breach of any Transaction Document by Lockheed Martin, Newco or any of the Purchasers, such party shall be fully liable for any and all Damages incurred or suffered by any other party as a result of all such breaches in an amount not to exceed $2,500,000, except that Lockheed Martin (i) shall be fully liable for any and all Damages incurred or suffered by the Purchasers as a result of any breach by Lockheed Martin of its obligations under Section 7.03, (ii) shall be fully liable for any and all Damages incurred or suffered by the Purchasers as a result of Lockheed Martin's willful failure to consummate the Closing (other than resulting from an unintentional failure of any of the conditions set forth in Section 12.01 or Section 12.03) if Newco and the Purchasers have sufficient funds available, and are ready and willing, to pay the cash portion of the Exchange Consideration for the Transferred Assets, and (iii) shall not be liable to the Purchasers or any other Person hereunder for any Damages that result from a breach of the provisions of Section 7.01 if such breach results from a breach by either of the Individual Purchasers of Section 8.02(b). The provisions of Sections 8.01 and 15.03 and this Section 14.02 shall survive any termination hereof pursuant to Section 14.01.

ARTICLE XV

MISCELLANEOUS

Section 15.01 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given,

if to Lockheed Martin:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Attention: Marcus C. Bennett
Telecopy: (301) 897-6083

with a copy to:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Attention: Frank H. Menaker, Jr.
Telecopy: (301) 897-6791

and

Miles & Stockbridge, a
Professional Corporation
10 Light Street
Baltimore, Maryland 21202
Attention: Glenn C. Campbell
Telecopy: (410) 385-3700

if to Lehman:

Lehman Brothers Capital Partners III, L.P.
3 World Financial Center
New York, New York 10285
Attention: Steven Berkenfeld
Telecopy: (212) 526-2198

with a copy to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017
Attention: David B. Chapnick
Telecopy: (212) 455-2502

if to Lanza:

Frank C. Lanza
600 Third Avenue
New York, New York 10016
Telecopy: (212) 949-9879

with a copy to:

Fried, Frank, Harris, Shriver & Jacobson
1 New York Plaza
New York, New York 10004
Attention: Robert C. Schwenkel
Telecopy: (212) 859-8879

if to LaPenta:

Robert V. LaPenta
600 Third Avenue
New York, New York 10016
Telecopy: (212) 805-5470

with a copy to:

Fried, Frank, Harris, Shriver & Jacobson
1 New York Plaza
New York, New York 10004
Attention: Robert C. Schwenkel
Telecopy: (212) 859-8879

If to Newco:

L-3 Communications Holdings, Inc.
600 Third Avenue
New York, New York 10016
Attention: William J. LaSalle
Telecopy: (212) 805-5494

with copies to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017
Attention: David B. Chapnick
Telecopy: (212) 455-2502

and

Lehman Brothers Capital Partners III, L.P.
3 World Financial Center
New York, New York 10285
Attention: Steven Berkenfeld
Telecopy: (212) 526-2198

and

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Attention: Frank H. Menaker, Jr.
Telecopy: (301) 897-6791

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Section 15.01 and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Section 15.01.

Section 15.02 Amendments; Waivers.

(a) Any provision of the Transaction Documents may be amended or waived prior to the Closing Date if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Lockheed Martin, Newco and the Purchasers, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege under any Transaction Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 15.03 Expenses. Except as otherwise provided in the Transaction Documents and except that if the Closing shall occur the costs and expenses of the Purchasers will be paid by Newco, all costs and expenses incurred in connection with the Transaction Documents shall be paid by the party incurring such cost or expense. Notwithstanding the foregoing, all transfer, sales, use and similar fees and taxes resulting from or relating to the formation and organization of Newco, including but not limited to the transfer of the Transferred Assets to Newco by Lockheed Martin or any of the Affiliated Transferors, shall be borne one-half by Lockheed Martin and one-half by Newco. Each of Newco and Lockheed Martin shall reimburse the other

for one-half of such fees and taxes paid by the other promptly upon presentation of a demand therefor.

Section 15.04 Successors and Assigns. The provisions of the Transaction Documents shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; provided that no party may assign, delegate or otherwise transfer any of its right or obligations under this Agreement without the consent of Lockheed Martin, in the case of Newco or any of the Purchasers, and Newco and the Purchasers in the case of Lockheed Martin. Notwithstanding the foregoing proviso (i) Lehman may assign all or part of its rights to Lehman Brothers Holdings Inc. and (ii) Newco may assign all or part of its rights and obligations (other than the obligation to issue shares of its capital stock) to a wholly owned Subsidiary of Newco, provided that Newco also shall remain liable hereunder as if it had not assigned its rights and obligations.

Section 15.05 Disclosure. Certain information set forth in the Disclosure Schedules has been included and disclosed solely for informational purposes and may not be required to be disclosed pursuant to the terms and conditions of the Transaction Documents. The disclosure of any such information shall not be deemed to constitute an acknowledgement or agreement that the information is required to be disclosed in connection with the representations and warranties made in the Transaction Documents or that the information is material, nor shall any information so included and disclosed be deemed to establish a standard of materiality or otherwise used to determine whether any other information is material.

Section 15.06 Construction. As used in the Transaction Documents, any reference to the masculine, feminine or neuter gender shall include all genders, the plural shall include the singular, and the singular shall include the plural. With regard to each and every term and condition of the Transaction Documents, the parties understand and agree that the same have or has been mutually negotiated, prepared and drafted, and that if at any time the parties desire or are required to interpret or construe any such term or condition or any agreement or instrument subject hereto, no consideration shall be given to the issue of which party actually prepared, drafted or requested any term or condition of the Transaction Documents.

Section 15.07 Entire Agreement.

(a) The Transaction Documents and any other agreements contemplated thereby (including, to the extent contemplated herein, the Lehman Confidentiality Agreement and paragraph 7 of the Memorandum) and certain other letter agreements entered into contemporaneously herewith constitute the entire agreement among the parties with respect to the subject matter of such documents and supersede all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter thereof.

(b) The parties hereto acknowledge and agree that no representation, warranty, promise, inducement, understanding, covenant or agreement has been made or relied upon by any party hereto other than those expressly set forth in the Transaction Documents. Without limiting the generality of the disclaimer set forth in the preceding sentence, neither Lockheed Martin nor any of its Affiliates has made or shall be deemed to have made any representations or warranties, in any presentation or written information relating to the Business given or to be given in connection with

the Contemplated Transactions, in any filing made or to be made by or on behalf of Lockheed Martin or any of its Affiliates with any governmental agency, and no statement, made in any such presentation or written materials, made in any such filing or contained in any such other information shall be deemed a representation or warranty hereunder or otherwise. The Purchasers acknowledge that Lockheed Martin has informed them that no Person has been authorized by Lockheed Martin or any of its Affiliates to make any representation or warranty in respect of the Business or in connection with the Contemplated Transactions, unless in writing and contained in this Agreement or in any of the Transaction Documents to which they are a party.

(c) Except as expressly provided herein or in any other Transaction Document, no Transaction Document or any provision thereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 15.08 Governing Law. Except as otherwise provided in any of the Transaction Documents, this Agreement shall be construed in accordance with and governed by the law of the State of New York.

Section 15.09 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto.

Section 15.10 Jurisdiction. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, any of the Transaction Documents or the Contemplated Transactions may be brought against any of the parties in the United States District Court for the Southern District of New York, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate court) in any such suit, action or proceeding and waives any objection to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, Lockheed Martin, Newco and the Purchasers agree that service of process upon such party at the address referred to in Section 15.01, together with written notice of such service to such party, shall be deemed effective service of process upon such party.

Section 15.11 Captions. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

Section 15.12 Bulk Sales. Newco hereby waives compliance by Lockheed Martin and each Affiliated Transferor, in connection with the Contemplated Transactions, with the provisions of Article 6 of the Uniform Commercial Code as adopted in the States of Georgia, Florida, California, Pennsylvania, New York, Massachusetts, Utah and New Jersey, and as adopted in any other states where any of the Transferred Assets are located, and any other applicable bulk sales laws with respect to or requiring notice to Lockheed Martin's (or any Affiliated Transferor's) creditors, as the same may be in effect on the Closing Date. Lockheed Martin shall indemnify and hold harmless Newco against any and all liabilities (other than liabilities in respect of Assumed

Liabilities) which may be asserted by third parties against Newco as a result of noncompliance with any such bulk sales law.

Section 15.13 Delivery of Disclosure Schedules; Certain Attachments.

(a) The parties acknowledge and agree that the Disclosure Schedules contemplated by this Agreement are not being delivered at the time of signing of this Agreement. Not later than the close of business on April 14, 1997, Lockheed Martin shall deliver to Newco the Disclosure Schedules contemplated by this Agreement, which Disclosure Schedules, once delivered, shall be effective and speak as of the date of this Agreement as if delivered on the date of this Agreement. In the event Newco or the Purchasers object to the Disclosure Schedules, Newco or the Purchasers may, by written notice delivered to Lockheed Martin prior to the close of business on the fifth Business Day following the day on which the Disclosure Schedules are delivered to Newco, terminate this Agreement. In the event Lockheed Martin does not receive such written notice within the time period specified in the preceding sentence, Newco and the Purchasers shall be deemed to have accepted the Disclosure Schedules. In the event that Newco or any of the Purchasers elects to terminate this Agreement in accordance with the provisions of this Section 15.13(a), no party to this Agreement shall have any liability to any of the other parties to this Agreement.

(b) The parties acknowledge and agree that Attachment X contemplated by this Agreement is not being delivered at the time of signing of this Agreement. Not later than the close of business on the third Business Day after delivery of the Disclosure Schedules, Newco shall deliver to Lockheed Martin a draft of the portions of Attachment X contemplated by Section 12.01 and Section 12.02. Not later than the close of business on the third Business Day after delivery of the Disclosure Schedules, Lockheed Martin shall deliver to Newco a draft of the portion of Attachment X contemplated by Section 12.01. In the event either Newco or Lockheed Martin objects to any of the matters proposed to be included by the other party in Attachment X, Newco and Lockheed Martin shall in good faith discuss the matters to be included in Attachment X. In the event Newco and Lockheed Martin are unable to reach agreement on the matters to be included in Attachment X prior to the close of business on the sixth Business Day after the delivery of the Disclosure Schedules, Attachment X shall include all matters proposed to be included by each of Newco and Lockheed Martin.

(c) The parties acknowledge and agree that Attachments IV, V, VIII, IX, XI and XV as attached to this Agreement at the time of signing of this Agreement are subject to modification by any of the Purchasers or Lockheed Martin at any time not later than the close of business on April 4, 1997. In the event that any of the Purchasers or Lockheed Martin desires to amend either Attachment IV, Attachment V, Attachment VIII, Attachment IX, Attachment XI or Attachment XV, it shall notify the other parties in writing of the proposed amendment and the Purchasers and Lockheed Martin shall, in good faith, discuss the proposed amendment. In the event that, notwithstanding those discussions, the Purchasers and Lockheed Martin are unable to resolve the differences as to the provisions of either Attachment IV, Attachment V, Attachment VIII, Attachment IX, Attachment XI or Attachment XV, any of the parties may terminate this Agreement prior to the close of business on April 11, 1997 by written notice to the other parties to this Agreement and upon any such termination no party to this Agreement shall have any liability to any other parties to this Agreement. If this Agreement shall not have been terminated in accordance with the provisions of this

Section 15.13(c) by the close of business on April 11, 1997, the amended versions of Attachments IV, V, VIII, IX, XI and XV shall replace Attachments IV, V, VIII, IX, XI and XV as attached to this Agreement at the time of signing of this Agreement.

IN WITNESS WHEREOF, the parties hereto caused this Agreement to be duly executed by their respective authorized officers on the day and year first above written.

WITNESS:

LOCKHEED MARTIN CORPORATION

_____ By:_____
Name:
Title:

LEHMAN BROTHERS CAPITAL
PARTNERS III, L.P.

By: LEHMAN BROTHERS HOLDINGS INC.,
its General Partner

_____ By:_____
Name:
Title:

FRANK C. LANZA

_____ _____

ROBERT V. LAPENTA

_____ _____

L-3 COMMUNICATIONS HOLDINGS, INC.

_____ By:_____
Name:
Title:

DEFINITIONS

(a) The following terms have the following meanings:

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of determining whether a Person is an Affiliate, the term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of securities, contract or otherwise. Notwith-standing the foregoing, for purposes of the Agreement neither Lockheed Martin nor any of the Lockheed Martin Companies shall be considered an Affiliate of Newco or any of the Purchasers.

"Affiliated Transferors" means Lockheed Martin Tactical Systems, Inc., Randtron Systems, Inc., Lockheed Martin Fairchild Corporation, Conic Corporation, Lockheed Martin Microcom Corporation, Lockheed Martin Hycor, Inc., The NARDA Microwave Corporation and any other Affiliate of Lockheed Martin that owns any of the assets that would constitute Transferred Assets if owned, held or used by Lockheed Martin or any of the Affiliated Transferors specified above on the Closing Date or is liable for any of the Assumed Liabilities.

"Applicable Law" means, with respect to any Person, any domestic or foreign, federal, state or local statute, law, ordinance, rule, administrative interpretation, regulation, order, writ, injunction, directive, judgment, decree or other requirement of any Governmental Authority (including any Environmental Law) applicable to such Person or any of their respective properties, assets, officers, directors, employees, consultants or agents (in connection with such officer's, director's, employee's, consultant's or agent's activities on behalf of such Person).

"Assumed Liabilities" means all of the following liabilities and obligations of any of the Lockheed Martin Companies relating to or arising out of the operation and affairs of the Business, the Transferred Assets or the NY Leases:

(i) Balance Sheet and Scheduled Liabilities. All liabilities and obligations relating to the Business, the Transferred Assets or the NY Leases whether accrued, liquidated, contingent, matured or unmatured, at or prior to the Closing, which (a) are disclosed in any of the Disclosure Schedules delivered hereunder, (b) would be subject to disclosure in any of the Disclosure Schedules delivered in connection with any of Lockheed Martin's representations and warranties but for the materiality standards contained in such representation and warranty, (c) are reflected in the Final Net Tangible Asset Amount as determined in accordance with Section 2.03 herein (including without limitation accounts payable and reserves reflected as contra-asset accounts, and those reflected in the estimates at completion), (d) are incurred in the ordinary course of business subsequent to the Effective Date, other than with respect to the matters covered by Exhibits F and G, or (e) are otherwise a liability or obligation that Newco is expressly assuming pursuant to this Agreement;

(ii) Contracts. All liabilities and obligations arising under the Contracts, whether or not such Contracts have been completed or terminated prior to the Closing Date, including, without limitation, any such liabilities and obligations arising from or relating to the performance or non-performance of the Contracts by the Business Units, Newco or any other party, whether arising prior to, on or after the Closing Date, except to the extent they constitute Excluded Liabilities;

(iii) Employment. All liabilities and obligations in respect of employees and former employees of the Business provided in Exhibit G to be assumed by Newco;

(iv) Benefit Plans; Workers' Compensation. The liabilities and obligations under the Employee Plans and Benefit Arrangements provided in Exhibit G to be assumed by Newco;

(v) Product Warranty and Liability Claims. All liabilities and obligations relating to warranty obligations or services, or claims of manufacturing or design defects, with respect to any product or service sold or provided by the Business whether prior to, on or after the Closing Date;

(vi) Taxes. All liabilities and obligations in respect of Taxes provided in Exhibit F to be assumed by Newco;

(vii) Environmental Liabilities. All Environmental Liabilities, whether arising prior to, on or after the Closing Date and whether such Environmental Liabilities are "onsite" or "offsite," but only to the extent relating to or arising out of conditions at, or the current or former operations of the Business Units at, the facilities owned or leased by the Business as of the Closing Date and included in the Transferred Assets (whether by fee ownership or leasehold interest), it being understood that the term "Assumed Liabilities" shall not include any Environmental Liabilities included in clause (viii) of the definition of Excluded Liabilities;

(viii) NY Leases. All liabilities and obligations relating to the NY Leases, whether arising prior to, on or after the Closing Date;

(ix) OSHA Liabilities. All liabilities and obligations relating to the Occupational Safety and Health Act of 1970, as amended, and any regulations, decisions or orders promulgated thereunder, together with any state or local law, regulation or ordinance pertaining to worker, employee or occupational safety or health in effect as of the Closing Date or as thereinafter may be amended or superseded, whether arising prior to, on or after the Closing Date;

(x) Litigation. All matters of governmental, judicial or adversarial proceedings (public or private), litigation, arbitration, disputes, claims, causes of action or investigations (collectively, "Proceedings") of a civil nature arising from or directly or indirectly relating to any of the enumerated "Assumed Liabilities" in clauses (i) through (ix), whether or not such matters were accrued, liquidated, contingent, matured, unmatured, or known or unknown to Lockheed Martin at or prior to the Closing; and

(xi) Post-Closing Liabilities. All liabilities and obligations relating to Newco's ownership of the Transferred Assets, directly or

indirectly relating to or arising under the Employee Plans and Benefit Arrangements or relating to the Transferred Employees, the lease of properties under the NY Leases or otherwise or its conduct of the Business and any related operations, in each case, from and after the Closing Date including, without limitation, any and all Proceedings in respect thereof.

"Audited Business Financial Statements" means the audited combined financial statements of the Lockheed Martin Predecessor Businesses, together with the notes thereto, as attached in Attachment I to the Agreement.

"Bid" means any quotation, bid or proposal made by Lockheed Martin or any of its Affiliates primarily in connection with the Business that if accepted or awarded would lead to a Contract with the U.S. Government or any other Person for the design, manufacture and sale of products or the provision of services by the Business.

"Business" means the businesses conducted by the Business Units (together with their predecessors), which in the aggregate comprise the Products Group (excluding the business of Frequency Sources Inc. (other than its semiconductor products business) and the assembly plant in Goodyear, Arizona), the Wideband Systems business and the Communications Systems business of the Lockheed Martin Companies.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

"Business Units" means (i) Display Systems headquartered in Atlanta, Georgia, (ii) Advanced Recorders headquartered in Sarasota, Florida, (iii) Conic headquartered in San Diego, California, (iv) Microcom headquartered in Warminster, Pennsylvania, (v) Telemetry & Instrumentation headquartered in San Diego, California, (vi) Randtron headquartered in Menlo Park, California, (vii) Microwave--Narda East headquartered in Hauppauge, New York (including the NARDA Semiconductor Products business in Lowell, Massachusetts), (viii) Microwave--Narda West headquartered in Rancho Cordova, California, (ix) Hycor headquartered in Woburn, Massachusetts, (x) Wideband Systems headquartered in Salt Lake City, Utah, (xi) Communications Systems headquartered in Camden, New Jersey, and (xii) the Airport Explosive Detection Business represented by the Grant from the Federal Aviation Administration held by Lockheed Martin Specialty Components, Inc.

"Camden CAS 410 Issue" means the assertions raised by the United States Defense Contract Audit Agency that the Communications Systems Business Unit overallocated general and administrative expenses during its transition from a "cost of sales" to a "total cost input" allocation methodology for such expenses in a manner inconsistent with CAS 410.

"Closing Date" means the date of the Closing.

"Common Stock Subscription Agreements" means the Common Stock Subscription Agreements dated the Closing Date and entered into by each of Lockheed Martin and the Purchasers with Newco (in substantially the forms of Attachment IV to the Agreement), as the same may be amended from time to time.

"Contemplated Transactions" means the transactions contemplated by the Transaction Documents.

"Contracts" means all contracts, agreements, leases (including leases of real property), licenses, commitments, sales and purchase orders, intercompany work transfer agreements (with respect to work by or for other Lockheed Martin businesses) and other instruments of any kind, whether written or oral, that relate primarily to the Business.

"Damages" means (subject in the case of Damages suffered by Newco to Newco's fulfillment of its obligations under Section 8.08 of the Agreement) all demands, claims, actions or causes of action, assessments, losses, damages, costs, expenses, liabilities, judgments, awards, fines, sanctions, penalties, charges and amounts paid in settlement, including, without limitation, reasonable costs, fees and expenses of attorneys, experts, accountants, appraisers, consultants, witnesses, investigators and any other agents or representatives of such Person (with such amounts to be determined net of any resulting tax benefit actually received or realized and net of any refund or reimbursement of any portion of such amounts actually received or realized, including, without limitation, reimbursement by way of insurance, third party indemnification or the inclusion of any portion of such amounts as a cost under Government Contracts), but specifically excluding (i) any costs incurred by or allocated to an Indemnified Party with respect to time spent by employees of the Indemnified Party or any of its Affiliates, (ii) any lost profits or opportunity costs (except to the extent assessed in connection with a third-party claim with respect to which the party against which such damages are assessed is entitled to indemnification hereunder), exemplary or punitive damages and (iii) the decrease in the value of any Transferred Asset to the extent that such valuation is based on any use of such Transferred Asset other than its use as of the Closing Date. Notwithstanding the foregoing, in respect of any breach of the representations and warranties set forth in Section B.05 with respect to the Audited Business Financial Statements, "Damages" shall be limited to (i) the reasonable costs of defense by Newco of any demands, claims, actions or causes of action to the extent related to or arising out of allegations that the Audited Business Financial Statements as included in the offering document used by Newco in the sale of high yield debt securities to finance the Contemplated Transactions (and the related exchange offer registration statement) and (ii) liability of Newco to third parties for violations of the Securities Act or related blue sky or state securities laws in connection with the offerings of securities referenced in the foregoing clause (i) (with such amounts in each case to be determined net of any resulting tax benefit actually received or realized and net of any refund or reimbursement of any portion of such amounts actually received or realized, including, without limitation, reimbursement by way of insurance, third party indemnification or the inclusion of any portion of such amounts as a cost under Government Contracts).

"December Statement" means the audited combined statement of net tangible assets of the Business at December 31, 1996, together with the notes thereto, as attached in Attachment II to the Agreement.

"Disclosed Financial Support Arrangements" means the Financial Support Arrangements listed or referred to in Section B.10 of the Disclosure Schedules.

"Disclosure Schedule" means the Disclosure Schedule dated the date of this Agreement and acknowledged by the parties hereto relating to the Agreement.

"Environmental Claim" means any written or oral notice, claim, demand, action, suit, complaint, proceeding or other communication by any third Person alleging liability or potential liability (including without limitation liability or potential liability for investigatory costs, cleanup costs, governmental response costs, natural resource damages, property damage, personal injury, fines or penalties) arising out of, relating to, based on or resulting from (i) the presence, discharge, emission, release or threatened release of any Hazardous Substances at any location, (ii) circumstances forming the basis of any violation or alleged violation of any Environmental Laws, or (iii) otherwise relating to obligations or liabilities under any Environmental Laws.

"Environmental Laws" means any and all past, present or future federal, state, local and foreign statutes, laws, regulations, ordinances, judgments, orders, codes, or injunctions, which (i) imposes liability for or standards of conduct concerning the manufacture, processing, generation, distribution, use, treatment, storage, disposal, cleanup, transport or handling of Hazardous Substances including, The Resource Conservation and Recovery Act of 1976, as amended, The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, The Superfund Amendment and Reauthorization Act of 1984, as amended, The Toxic Substances Control Act, as amended, the Occupational Safety and Health Act of 1970, as amended, to the extent it relates to the handling of and exposure to hazardous or toxic materials or similar substances, and any other so-called "Superfund" or "Superlien" law or (ii) otherwise relates to the protection of human health or the environment.

"Environmental Liabilities" means all liabilities to the extent arising in connection with or in any way relating to the Business or Lockheed Martin's or its Affiliates' use or ownership thereof, whether vested or unvested, contingent or fixed, actual or potential, which arise under or relate to Environmental Laws including, without limitation, (i) Remedial Actions, (ii) personal injury, wrongful death, economic loss or property damage claims, (iii) claims for natural resource damages, (iv) violations of law or (v) any other cost, loss or damage with respect thereto.

"Exchange Agreement" means the Exchange Agreement referred to in the Transfer Agreement.

"Excluded Assets" means:

(i) cash and cash equivalents of Lockheed Martin or any of its Affiliates, including, without limitation, cash and cash equivalents used as collateral for letters of credit, deposits with utilities, insurance companies and other Persons;

(ii) all original books and records that Lockheed Martin or any of its Affiliates shall be required to retain pursuant to any Applicable Law (in which case copies of such books and records shall be provided to Newco upon request), or that contain information relating primarily to any business or activity of Lockheed Martin or any of its Affiliates not forming a part of the Business, or any employee of Lockheed Martin or any of its Affiliates that is not a Transferred Employee;

(iii) tax assets specified as Excluded Assets in Exhibit F;

(iv) all assets of Lockheed Martin or any of its Affiliates not held or owned by or used primarily in connection with the Business (including the Chelmsford, Massachusetts location of Frequency Sources, Inc.), other than the NY Leases;

(v) all assets of Lockheed Martin or any of its Affiliates (other than the Business Units) held or used in connection with the provision of services, or the sale of goods, to the Business;

(vi) all rights of Lockheed Martin under any of the Transaction Documents and the agreements and instruments delivered to Lockheed Martin by Newco pursuant to any of the Transaction Documents;

(vii) "Legacy Intellectual Property" identified as such in Section B.16 of the Disclosure Schedules, including but not limited to income, losses and rights relating thereto;

(viii) any accounts receivable, notes receivable or similar claims or rights (whether billed or accrued) of the Business from Lockheed Martin or any Affiliate of Lockheed Martin other than a Business Unit except for accounts receivable, notes receivable or similar claims or rights (whether billed or accrued) relating to materials sold or services rendered by the Business Units to or for Lockheed Martin or any such Affiliates;

(ix) capital stock or any other securities of any Subsidiaries of Lockheed Martin;

(x) Intellectual Property not used primarily in the Business, it being understood and agreed that the only Intellectual Property consisting of patents and patent applications used primarily in the Business are those listed on Attachment XV;

(xi) the leasehold interest of the Lockheed Martin Companies in respect of the Horsham, Pennsylvania property of the Microcom Business Unit; and

(xii) any Intellectual Property developed by a Business Unit at the expense of a Lockheed Martin Company (other than a Business Unit) unless such Intellectual Property may fairly be characterized as an immaterial improvement, modification or derivative work to or of Intellectual Property developed by a Business Unit at its own expense, including but not limited to income, losses and rights relating thereto.

"Excluded Liabilities" means the following obligations and liabilities:

(i) any obligations or liabilities in respect of events occurring prior to the Closing Date and arising out of (1) any criminal investigations, grand jury proceedings, or counts in any causes of action specifically alleging criminal conduct; provided, however, that if such investigations, grand jury proceedings or counts become civil in nature, at such time they will no longer constitute Excluded Liabilities pursuant to this provision or (2) counts or actions alleging civil fraud or intentional misconduct by the Communications Systems Business Unit (or its predecessors) headquartered in Camden, New Jersey;

(ii) all obligations and liabilities of Lockheed Martin or any of its Affiliates not arising out of the conduct of the Business, except as otherwise specifically provided in the Transaction Documents;

(iii) to the extent set forth in Exhibit F to the Agreement, any obligation or liability for any Tax arising from or with respect to the Transferred Assets or the operations of the Business for the Pre-Closing Tax Period;

(iv) any liability whether presently in existence or arising after the date of the Agreement in respect of accounts payable, notes payable (including intercompany promissory notes and similar financing arrangements) or similar obligations (whether billed or unbilled) to or allocated to Lockheed Martin or any Affiliate of Lockheed Martin, except for accounts payable, notes payable or similar obligations (whether billed or unbilled) relating to materials sold or services rendered to, or any insurance procured for, the Business Units by Lockheed Martin or any Affiliate of Lockheed Martin other than a Business Unit;

(v) any liability whether presently in existence or arising after the date of the Agreement relating to fees, commissions or expenses owed to any broker, finder, investment banker, accountant, attorney or other intermediary or advisor employed by Lockheed Martin or any of its Affiliates in connection with the Contemplated Transactions;

(vi) any obligation or liability retained by Lockheed Martin pursuant to Exhibit G;

(vii) all obligations and liabilities related to Excluded Assets;

(viii) all Environmental Liabilities whether arising prior to, on or after the Closing Date and whether such Environmental Liabilities are "onsite" or "offsite," (1) relating to or arising out of conditions at or the operations of the Camden Truck Depot located at 1257 2nd Street, Camden, New Jersey, or (2) relating to or arising out of conditions at, or the current or former operations at, any facilities not included in the Transferred Assets (whether by fee ownership or leasehold interest) (including any predecessors to such facilities); and

(vi) all obligations and liabilities related to the closing of the assembly plant formerly operated by the Conic Business Unit in Goodyear, Arizona.

"Financial Support Arrangements" means any obligations, contingent or otherwise, of a Person in respect of any indebtedness, obligation or liability (including assumed indebtedness, obligations or liabilities) of another Person, including but not limited to remaining obligations or liabilities associated with indebtedness, obligations or liabilities that are assigned, transferred or otherwise delegated to another Person, if any, letters of credit and standby letters of credit (including any related reimbursement or indemnity agreements), direct or indirect guarantees, endorsements (except for collection or deposit in the ordinary course of business), notes co-made or discounted, recourse agreements, take-or-pay agreements, keep-well agreements, agreements to purchase or repurchase such indebtedness, obligation or liability or any security therefor or to provide funds for the payment or discharge thereof, agreements to maintain solvency,

assets, level of income or other financial condition, agreements to make payment other than for value received and any other financial accommodations.

"GAAP" means Generally Accepted Accounting Principles as in effect on the date of the Agreement.

"Government Contract" means any prime contract, subcontract, teaming agreement or arrangement, joint venture, basic ordering agreement, pricing agreement, letter contract, purchase order, delivery order, change order, Bid or other arrangement of any kind relating exclusively to the Business between Lockheed Martin or any of the Affiliated Transferors and (i) the U.S. Government (acting on its own behalf or on behalf of another country or international organization), (ii) any prime contractor of the U.S. Government or (iii) any subcontractor with respect to any contract of a type described in clauses (i) or (ii) above.

"Governmental Authority" means any foreign, domestic, federal, territorial, state or local governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

"Hazardous Substances" means substances defined as "hazardous substances," "hazardous materials" or "hazardous waste" in The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or The Resource Conservation and Recovery Act of 1976, as amended, those substances defined as "hazardous wastes" in the regulations adopted and publications promulgated pursuant to any of said laws, those substances defined as "toxic substances" in The Toxic Substances Control Act, as amended, petroleum, its derivatives and petroleum products, and asbestos and asbestos containing materials.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Intellectual Property" means all patents, copyrights, technology, know-how, processes, trade secrets, inventions, proprietary data, formulae, research and development data and computer software programs; all trademarks, trade names, service marks and service names; all registrations, applications, recordings, licenses and common-law rights relating thereto, all rights to sue at law or in equity for any infringement or other impairment thereto, including the right to receive all proceeds and damages therefrom, and all rights to obtain renewals, continuations, divisions or other extensions of legal protections pertaining thereto; and all other United States, state and foreign intellectual property owned by Lockheed Martin or the Affiliated Transferors on the Closing Date.

"Interim Services Agreement" means the Interim Services Agreement dated the Closing Date by and among Newco and Lockheed Martin as contemplated by Section 2.01, as the same may be amended from time to time.

"Inventory" means all items of inventory notwithstanding how classified in Lockheed Martin's financial records, including all raw materials, work-in-process and finished goods, together with costs accumulated under all Contracts in progress.

"Lehman Confidentiality Agreement" means the letter agreement dated November 13, 1996, by and between Lockheed Martin and Lehman, as the same has been or may be amended from time to time.

"License Agreements" means the license agreements dated the Closing Date by and among Newco and Lockheed Martin as contemplated by Section 9.04, as the same may be amended from time to time.

"Lien" means, with respect to any asset, any mortgage, lien, claim, pledge, charge, security interest or other encumbrance of any kind in respect of such asset.

"Lockheed Martin Companies" means Lockheed Martin and its Subsidiaries.

"Material Adverse Effect" means (i) with respect to the Business, a material adverse effect on the assets, properties, business, financial condition or results of operations of the Business taken as a whole, or (ii) with respect to any other Person, a material adverse effect on the assets, properties, business, financial condition or results of operations of such Person and its Subsidiaries taken as a whole.

"Memorandum" means the Memorandum of Understanding dated January 31, 1997, by and among Lockheed Martin and the Purchasers, as the same may be amended from time to time.

"Net Tangible Assets" means (i) all Transferred Assets of the Business, (ii) minus all (1) Assumed Liabilities of the Business, (2) goodwill, (3) intangible assets related to contracts and programs acquired, and (4) any reserve, liability or asset resulting from or relating to pension benefits, retirement benefits or other post-employment benefits, (iii) in accordance with the practices and policies of Lockheed Martin on December 31, 1996 and employed in the preparation of the December Statement, determined, in each case, in accordance with the December Statement and Attachment VI.

"1933 Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Newco Bylaws" means the Bylaws of Newco as attached in Attachment IX.

"Newco Certificate of Incorporation" means the Certificate of Incorporation of Newco as attached in Attachment VIII.

"Newco Class A Stock" means the Class A Common Stock, par value $.01 per share, of Newco.

"Newco Class B Stock" means the Class B Common Stock, par value $.01 per share, of Newco.

"NY Leases" means the lease by and between Loral Corporation (now known as Lockheed Martin Tactical Systems, Inc.) and 600 Third Avenue Associates in respect of the property located at 600 Third Avenue, New York, New York, as the same may be amended and supplemented from time to time, including the interests of the Lockheed Martin Companies in any related fixtures, improvements and personal property located therein.

"Operation and Maintenance Costs" means the reasonable costs (including routine monitoring and sampling) required to operate and maintain the

effectiveness of an environmental response action that, on or prior to the eighth anniversary of the Closing Date, has been constructed or effectuated and, if required, have been approved (or subsequently are approved as constructed or effectuated as of the eighth anniversary of the Closing Date) by the applicable environmental regulatory authority, it being understood that Operation and Maintenance Costs does not include (i) any capital costs (other than replacement in kind) relating to any such action, (ii) any claim for property damage, damages to natural resources or personal injury or similar claims or damages, whether or not arising out of the operation or maintenance of such action or otherwise or (iii) any fines or penalties, whether or not arising out of the operation or maintenance of such action or otherwise.

"Permitted Liens" means any of the following:

(i) Liens for taxes that (x) are not yet due or delinquent or (y) are being contested in good faith by appropriate proceedings;

(ii) statutory Liens or landlords' carriers' warehousemen's mechanic's, suppliers' materialmen's or other like Liens arising in the ordinary course of business with respect to amounts not yet overdue for a period of 45 days or amounts being contested in good faith by appropriate proceedings;

(iii) easements, rights of way, restrictions and other similar charges or encumbrances on real property interests, that, individually or in the aggregate, do not materially interfere with the ordinary course of operation of the Business or the use of any such real property for its current uses;

(iv) leases or subleases granted to others that do not materially interfere with the ordinary conduct of the Business;

(v) with respect to real property, title defects or irregularities that do not in the aggregate materially impair the use of such real property for its current use;

(vi) Liens in favor of the U.S. Government or any other customer of the Business arising in the ordinary course of business;

(vii) rights and licenses granted to others in Intellectual Property;

(viii) with respect to any Real Property Lease where any of the Lockheed Martin Companies is a lessee, any Lien affecting the interest of the landlord thereunder;

(ix) Liens, title defects, encumbrances, easements and restrictions, invalidities of leasehold interests (collectively, "Encumbrances") that have not had, and could not reasonably be expected to have, a Material Adverse Effect on the Business; and

(x) Encumbrances disclosed in the Disclosure Schedule or taken into account in the December Statement.

"Person" means an individual, a corporation, a general partnership, a limited partnership, a limited liability company, an association, a trust or

any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Prime Government Contract" means any Government Contract relating primarily to the Business in connection with which Lockheed Martin or an Affiliated Transferor is the prime contractor.

"Remedial Action(s)" means the investigation, clean-up or remediation of contamination or environmental degradation or damage caused by, related to or arising from the generation, use, handling, treatment, storage, transportation, disposal, discharge, release, or emission of Hazardous Substances, including, without limitation, investigations, response, removal and remedial actions under The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, corrective action under The Resource Conservation and Recovery Act of 1976, as amended, and clean-up requirements under similar state Environmental Laws.

"Representatives" means (i) with respect to Lehman, any of the "Representatives" as defined in the Lehman Confidentiality Agreement, (ii) with respect to the Individual Purchasers, any of the "Representatives" as defined in the Memorandum and (iii) with respect to Lockheed Martin or Newco, each of their respective directors, officers, advisors, attorneys, accountants, employees or agents.

"Responsible Contracting Officer" means, with respect to any Prime Government Contract, the Person identified as such with respect thereto in Section 42.1202(a) of the Federal Acquisition Regulation, Part 42 of the Code of Federal Regulations.

"Sarasota Asset Step-Up Issue" means the position of the U.S. Government that the amendment of the provisions of the Federal Acquisition Regulations relating to the ability of a contractor to include in its overhead the "stepped up" value of acquired assets shall have retroactive effect and the related impact on the Advanced Recorders Business Unit of its agreements in June 1994, April 1995 and January 1997 with the cognizant Administrative Contracting Officer to authorize the Advanced Recorders Business Unit to include in its overhead the "stepped up" assets relating to the acquisition of Advanced Recorders by Loral Corporation in 1989.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Stockholders Agreement" means the Stockholders Agreement dated the Closing Date by and among Newco, Lockheed Martin and the Purchasers (in substantially the form of Attachment V to the Agreement), as the same may be amended from time to time.

"Subsidiary" as it relates to any Person, shall mean with respect to any Person, any corporation, partnership, joint venture or other legal entity of which such Person, either directly or through or together with any other Subsidiary of such Person, owns more than 50% of the voting power in the election of directors or their equivalents, other than as affected by events of default.

"Supply Agreement" means the Supply Agreement dated the Closing Date by and among Newco and Lockheed Martin as contemplated by Section 2.01, as the same may be amended from time to time.

"Transaction Documents" means the Agreement, the Transfer Agreement, the Exchange Agreement, the Common Stock Subscription Agreements, the Stockholders Agreement, the Interim Services Agreement, the Supply Agreement, the License Agreements, the Newco Certificate of Incorporation, the Newco Bylaws and any exhibits or attachments to any of the foregoing, as the same may be amended from time to time.

"Transfer Agreement" means the Transfer Agreement dated March 28, 1997, by and between Lockheed Martin and Newco (a copy of which is attached as Attachment III to the Agreement), as the same may be amended from time to time.

"Transferred Assets" means all of the assets, properties, rights, licenses, permits, contracts, causes of action and business of every kind and description as the same shall exist on the Closing Date, other than the Excluded Assets, wherever located, real, personal or mixed, tangible or intangible, owned by, leased by or in the possession of Lockheed Martin or any Affiliated Transferor, whether or not reflected in the books and records thereof, and held or used primarily in the conduct of the Business as the same shall exist on the Closing Date, including but not limited to all assets reflected in the December Statement and not disposed of in the ordinary course of business or as permitted or contemplated by the Agreement, and all assets of the Business acquired by Lockheed Martin or any Affiliated Transferor, on or prior to the Closing Date and not disposed of in the ordinary course of business or as permitted or contemplated by the Agreement and including, without limitation, except as otherwise specified herein, all direct or indirect right, title and interest of Lockheed Martin or any Affiliated Transferor in, to and under:

(i) all real property and leases (including, without limitation, the NY Leases), whether capitalized or operating, of, and other interests in, real property, owned by Lockheed Martin or any of its Affiliates that are used primarily in the Business, in each case together with all buildings, fixtures, easements, rights of way, and improvements thereon and appurtenances thereto;

(ii) all personal property and interests therein, including machinery, equipment, furniture, office equipment, communications equipment, vehicles, storage tanks, spare and replacement parts, fuel and other tangible property (and interests in any of the foregoing) owned by Lockheed Martin or any of its Affiliates that are used primarily in connection with the Business:

(iii) all costs accumulated for all Contracts in progress, raw materials, work-in-process, finished goods, supplies and other inventories that are owned by Lockheed Martin or any of its Affiliates and held for sale, use or consumption primarily in the Business;

(iv) all Contracts;

(v) all Bids (with any Contracts (including, without limitation, Government Contracts) awarded to Lockheed Martin or any of its Affiliates on or before the Closing Date in respect of such Bids to be deemed Contracts);

(vi) all accounts, accounts receivable and notes receivable whether or not billed, accrued or otherwise recognized in the December Statement or taken into account in the determination of the Final Net Tangible Asset Amount, together with any unpaid interest or fees accrued thereon or other amounts due with respect thereto, of Lockheed Martin or any of its Affiliates that relate primarily to the Business, and any security or collateral for any of the foregoing;

(vii) all expenses that have been prepaid by Lockheed Martin or any of its Affiliates to the extent relating to the operation of the Business, including but not limited to ad valorem taxes, lease and rental payments;

(viii) all of Lockheed Martin's or any of its Affiliates' rights, claims, credits, causes of action or rights of set-off against third parties relating primarily to the Business or the Transferred Assets, including, without limitation, unliquidated rights under manufacturers' and vendors' warranties;

(ix) all Intellectual Property (other than Intellectual Property constituting an Excluded Asset) used primarily in the Business, including the goodwill of the Business symbolized thereby (including, without limitation, the rights to the name "Fairchild" when used by or in connection with the Advanced Recorders Business Unit and the names "Narda," "Conic," and "Randtron," but excluding "Lockheed Martin," "Loral," "Lockheed" and "Martin Marietta" and any derivatives thereof together with any logos, trade dress or other intellectual property rights relating thereto);

(x) all transferable franchises, licenses, permits or other governmental authorizations owned by, or granted to, or held or used by, Lockheed Martin or any of its Affiliates and primarily related to the Business;

(xi) except to the extent Lockheed Martin or any of its Affiliates is required to retain the originals pursuant to any Applicable Law (in which case copies will be provided to Newco upon request), all business books, records, files and papers, whether in hard copy or computer format, of Lockheed Martin or any of its Affiliates used primarily in the Business, including, without limitation, bank account records, books of account, invoices, engineering information, sales and promotional literature, manuals and data, sales and purchase correspondence, lists of present and former suppliers, lists of present and former customers, personnel and employment records of present or former employees, documentation developed or used for accounting, marketing, engineering, manufacturing, or any other purpose relating to the conduct of the Business at any time prior to the closing;

(xii) the right to represent to third parties that Newco is the successor to the Business;

(xiii) all insurance proceeds, net of any retrospective premiums, deductibles, retention or similar amounts, arising out of or related to damage, destruction or loss of any property or asset of or used primarily in connection with the Business to the extent of any damage or destruction that remains unrepaired, or to the extent any property or asset remains unreplaced at the Closing Date;

(xiv) any tax assets specified to be Transferred Assets in Exhibit F; and

(xv) all of the Lockheed Martin Companies' right, title and interest in the real property located at 1355 Bluegrass Lakes Parkway, Alpharetta, Georgia.

"U.S. Government" means the United States Government and any agencies, instrumentalities and departments thereof.

(b) "To the knowledge," "known by" or "known" (and any similar phrase) means (i) with respect to Lockheed Martin, to the actual knowledge of any of the Senior Vice Presidents or higher ranking officers of Lockheed Martin, or the Vice President, Financial Strategies of Lockheed Martin, or the President, Chief Financial Officer and General Counsel of the Lockheed Martin Operating Sector to which each of the Business Units reports, and shall be deemed to include a representation that a reasonable investigation or inquiry of the subject matter thereof has been conducted by or on behalf of the foregoing specified Persons, which investigation shall include inquiries of the President and the Chief Financial Officer of each of the Business Units, and (ii) with respect to the Individual Purchasers, to the actual knowledge of either of the Individual Purchasers as of the date the applicable representation or warranty is made (by Lockheed Martin, in the case of representations in Exhibit B limited by reference to the knowledge of the Individual Purchasers, or by the Individual Purchasers, in the case of representations in Exhibit D), it being understood that if there is any dispute as to whether an Individual Purchaser had actual knowledge of any fact, event or circumstance and Lockheed Martin seeks to assert such knowledge as a defense to any claim under any of the Transaction Documents, Lockheed Martin shall have the burden of proof in connection with any such determination. Notwithstanding the foregoing, the knowledge of Lockheed Martin at any particular time shall not include knowledge of any matters actually known by either of the Individual Purchasers at such time if such matters are not also actually known by one or more of the other individuals specified in clause (i) above (whether by disclosure to them by the Individual Purchasers or otherwise).

(c) Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
Accrued Liability	G.05
Agreement	Preamble
Allocation Tax Loss	F.01
Alternative Transaction Proposals	7.04
Assumed Plans	G.05
Basis Liabilities	F.01
Benefit Arrangement	G.01
Camden SERPs	G.05
Camden Transferee	G.01
Camden Trust	G.05
Cash Sale	F.01
Closing	2.04
Code	F.01
Controlled Group	B.21
Defending Party	13.03
Effective Date	2.03
Employee Plan	G.01
Encumbrances	A

EXHIBIT B

REPRESENTATIONS AND WARRANTIES OF LOCKHEED MARTIN

Lockheed Martin hereby represents and warrants prior to but not after the Closing to the Purchasers, and as of and after the Closing to Newco, that:

B.01. Corporate Existence and Power. Each of Lockheed Martin and each Affiliated Transferor is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on the Business as now conducted, except where the failure to have such licenses, authorizations, consents and approvals has not had, and could not reasonably be expected to have, a Material Adverse Effect on the Business. Each of Lockheed Martin and each Affiliated Transferor, as the case may be, is duly qualified to do business as a foreign corporation in each jurisdiction where the character of the property owned or leased by it or the nature of its activities make such qualification necessary to carry on the Business as now conducted, except where the failure to be so qualified has not had, and could not reasonably be expected to have, a Material Adverse Effect on the Business.

B.02. Corporate Authorization. The execution, delivery and performance by each of Lockheed Martin and each Affiliated Transferor of each of the Transaction Documents to which it is a party and the consummation by Lockheed Martin and each Affiliated Transferor of the Contemplated Transactions are within its corporate powers and have been duly authorized by all necessary corporate action on its part. Each of the Transaction Documents to which it is a party constitutes a legal, valid and binding agreement of Lockheed Martin and each Affiliated Transferor enforceable against it in accordance with its terms (i) except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other laws regarding fraudulent conveyances and preferential transfers and (ii) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at law or in equity).

B.03. Governmental Authorization.

(a) The execution, delivery and performance by Lockheed Martin and each Affiliated Transferor of the Transaction Documents to which it is a party require no action by or in respect of, or consent or approval of, or filing with, any Governmental Authority other than:

(i) compliance with any applicable requirements of the HSR Act;

(ii) compliance with any applicable requirements of the New Jersey Industrial Site Recovery Act;

(iii) the facilities clearance requirements of the Defense Investigative Service of the United States Department of Defense ("DIS"), as set forth in the DIS Industrial Security Regulation and the DIS Industrial Security Manual, as each may be amended from time to time;

(iv) the novation of the Government Contracts as contemplated by Section 7.08 herein;

(v) any actions, consents, approvals or filings set forth in Section B.03 of the Disclosure Schedules or otherwise expressly referred to in this Agreement; and

(vi) such other consents, approvals, authorizations, permits and filings the failure to obtain or make would not have, in the aggregate, a Material Adverse Effect on the Business.

(b) To the knowledge of Lockheed Martin, there are no facts relating to the identity or circumstances of Lockheed Martin or any of its Affiliates that would prevent or materially delay obtaining any of the consents referred to in Section B.03(a).

B.04. Non-Contravention. Except as set forth in Section B.04 of the Disclosure Schedules or known to the Individual Purchasers (in the case of clauses (i)(B) and (i)(C) below), the execution, delivery and performance by Lockheed Martin of the Transaction Documents do not and will not (i)(A) contravene or conflict with the charter or bylaws of Lockheed Martin or any Affiliated Transferor, (B) assuming compliance with the matters referred to in Section B.03, contravene or conflict with or constitute a violation of any provisions of any Applicable Law, regulation, judgment, injunction, order, writ or decree binding upon Lockheed Martin or any Affiliated Transferor that is applicable to the Business; (C) assuming compliance with the matters referred to in Section B.03, constitute a default under or give rise to any right of termination, cancellation or acceleration of, or to a loss of any benefit relating primarily to the Business to which Lockheed Martin or any Affiliated Transferor is entitled under, any agreement, Contract or other instrument binding upon Lockheed Martin or any Affiliated Transferor and relating primarily to the Business or by which any of the Transferred Assets is or may be bound or any license, franchise, permit or similar authorization held by Lockheed Martin or any Affiliated Transferor relating primarily to the Business except, in the case of clauses (B) and (C), for any such contravention, conflict, violation, default, termination, cancellation, acceleration or loss that could not reasonably be expected to have a Material Adverse Effect on the Business or (ii) result in the creation or imposition of any Lien on any transferred Asset, other than Permitted Liens and other than such Liens the creation or imposition of which could not reasonably be expected to have a Material Adverse Effect on the Business.

B.05. Financial Statements.

(a) The December Statement presents fairly, in all material respects, the Net Tangible Assets of the Business (other than the Airport Explosive Detection Business) as of December 31, 1996, in conformity with GAAP (except as set forth in the notes thereto or in Attachment VI applied on a basis consistent in all material respects with the manner in which the Business reported as of December 31, 1996 its financial position for inclusion in the financial statements of Lockheed Martin.

(b) The Audited Business Financial Statements have been prepared based upon the books and records of Lockheed Martin and the Affiliated Transferors relating to the Business and present fairly the financial condition, results of operations and cash flows of the Business in conformity with GAAP (except as set forth in the notes thereto) for the periods and as of the dates included therein.

B.06. Absence of Certain Changes. Except for matters that would be permitted (without consent of either of the Individual Purchasers) in accordance with Section 7.01 if they occurred after the date of this Agreement, as set forth in Section B.06 of the Disclosure Schedules and except as known to the Individual Purchasers, from December 31, 1996 to the date of this Agreement, there has not been any material adverse change in the business, financial condition or results of operations of the Business and there has not been:

(a) any event, occurrence, development or state of circumstances or facts that has had a Material Adverse Effect on the Business, other than those resulting from changes, whether actual or prospective, in general conditions applicable to the industries in which the Business is involved or general economic conditions;

(b) any damage, destruction or other casualty loss affecting the Business or any assets that would constitute Transferred Assets if owned, held or used by Lockheed Martin or any of the Affiliated Transferors on the Closing Date that has had a Material Adverse Effect on the Business;

(c) any transaction or commitment made, or any contract or agreement entered into, by Lockheed Martin or any Affiliated Transferor relating primarily to the Business or any assets that would constitute Transferred Assets if owned, held or used by Lockheed Martin or any of the Affiliated Transferors on the Closing Date (including the acquisition or disposition of any assets) or any termination or amendment by Lockheed Martin or any Affiliated Transferor of any contract or other right relating primarily to the Business, in either case, material to the Business taken as a whole, other than transactions and commitments in the ordinary course of business and those contemplated by this Agreement;

(d) any sale or other disposition of more than an aggregate of $250,000 of assets (other than Inventory or any sale made in the ordinary course of business) that would constitute Transferred Assets if owned, held or used by any of the Lockheed Martin companies on the Closing Date;

(e) any increase in the compensation of any current employee of any of the Business Units at a level of vice president or above, other than nondiscretionary increases pursuant to Employee Plans or Benefit Arrangements disclosed in Section B.21 of the Disclosure Schedules or referenced in Exhibit G; and

(f) any cancellation, compromise, waiver or release by Lockheed Martin of any claim or right (or a series of related rights and claims) related to the Business, other than cancellations, compromises, waivers or releases in the ordinary course of business.

B.07. Sufficiency of and Title to the Transferred Assets.

(a) The Transferred Assets, together with the services to be provided to Newco pursuant to the Interim Services Agreement and the Intellectual Property to be licensed to Newco pursuant to the License Agreements, constitute, and on the Closing Date will constitute, all of the assets and services that are necessary to permit the operation of the Business in substantially the same manner as such operations have heretofore been conducted.

(b) Upon consummation of the Contemplated Transactions, Newco will have acquired good and marketable title in and to, or a valid leasehold interest in, each of the Transferred Assets that are necessary to permit the operation of the Business in substantially the same manner as operations have heretofore been conducted, free and clear of all Liens, except for Permitted Liens.

(c) Section B.07 of the Disclosure Schedules includes a true and complete list of all real property owned by the Lockheed Martin Companies (or property which the Lockheed Martin Companies have a right to acquire in connection with the operation of the Business) which is included in the Transferred Assets (collectively, the "Owned Real Property"; the Owned Real Property and the Leased Real Property, collectively the "Real Property"). Section B.07(c) of the Disclosure Schedules specifies (i) the address of each parcel of Owned Real Property and (ii) the owner of such Owned Real Property.

(d) Section B.07 of the Disclosure Schedules includes a true and complete list of all agreements (together with any amendments thereof collectively, the "Real Property Leases") pursuant to which the Lockheed Martin Companies lease, sublease or otherwise occupy (whether as landlord, tenant, subtenant or other occupancy arrangement) any real property used in the Business (collectively, the "Leased Real Property"). Section B.07 of the Disclosure Schedules specifies (i) the address of each parcel of Leased Real Property and (ii) the owner of the leasehold, subleasehold or occupancy interest for each Leased Real Property.

B.08. No Undisclosed Liabilities. To the knowledge of Lockheed Martin, there are no liabilities of Lockheed Martin (or any Affiliated Transferor) relating to the Business that constitute Assumed Liabilities of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, other than:

(a) liabilities disclosed or provided for in the December Statement and liabilities for matters taken into account in the determination of the Final Net Tangible Asset Amount;

(b) liabilities (i) disclosed in Section B.08 of the Disclosure Schedules, (ii) known to the Individual Purchasers, (iii) related to any Contract disclosed in the Disclosure Schedules or (iv) related to any Employee Plan or Benefit Arrangements identified in Exhibit G or disclosed in Section B.08 of the Disclosure Schedules;

(c) liabilities incurred in the ordinary course of business since December 31, 1996;

(d) liabilities not required to be accrued for or reserved against in accordance with GAAP as of December 31, 1996; and

(e) with respect to the bring down of this representation and warranty as of the Closing Date, liabilities not required to be accrued for or reserved against in accordance with GAAP as of the Closing Date.

B.09. Litigation; Contract-Related Matters.

(a) Except as set forth in Section B.09 of the Disclosure Schedules or reserved against or referred to in the December Statement, there is no action, suit, investigation or proceeding (except for actions, suits or proceedings referred to in Section B.09(b)) pending against, or to the knowledge of Lockheed Martin, threatened against or affecting, the Business or any Transferred Asset before any court or arbitrator or any governmental body, agency, official or authority which could reasonably be expected to have a Material Adverse Effect on the Business.

(b) Except as set forth in Section B.09 of the Disclosure Schedules or reserved against or referred to in the December Statement or known to the Individual Purchasers, there is no action, suit, investigation or proceeding relating to any Government Contract or Bid, or relating to any proposed suspension or debarment of the Business or any of its employees, pending against, or to the knowledge of Lockheed Martin, threatened against or affecting the Business or any Transferred Asset before any court or arbitrator or any governmental body, agency, official or authority which could reasonably be expected to have a Material Adverse Effect on the Business.

(c) None of the Lockheed Martin Companies is, in connection with the Business, subject to any unsatisfied monetary judgment, order or decree that would materially affect Newco's ability to conduct the business and operations of the Business immediately after Closing as the Lockheed Martin Companies currently conduct them.

B.10. Material Contracts and Bids; Backlog.

(a) Except as set forth in Section B.10 of the Disclosure Schedules, to the knowledge of Lockheed Martin, as of the date of this Agreement, the Lockheed Martin Companies, with respect to the Business, are not parties to or otherwise bound by or subject to:

(i) any written employment, severance, consulting or sales representative Contract which contains an obligation to pay more than $100,000 per year and constitutes an Assumed Liability;

(ii) any Contract containing any covenant limiting the freedom of the Lockheed Martin Companies, with respect of the Business or the operations of any of the Business Units, to engage in any line of business or compete with any Person in any geographic area in any material respect if such Contract will be binding on Newco after the Closing;

(iii) any Contract in effect on the date of this Agreement relating to the disposition or acquisition of the assets of, or any interest in, any business enterprise which relates to the Business other than in the ordinary course of business;

(iv) any Financial Support Arrangements;

(v) any indebtedness for borrowed money of the Business that would constitute an Assumed Liability if in existence on the Closing Date, other than indebtedness or borrowed money totaling not more than $100,000 in the aggregate; or

(vi) any offset agreement entered into in connection with an international sales transaction and relating to any Contract that imposes on the Business an obligation to perform that will continue in effect on or after the Closing Date.

Notwithstanding the foregoing or any other provisions of this Agreement, the failure of Lockheed Martin to include any Financial Support Arrangements in Section B.10 of the Disclosure Schedules shall not constitute a breach of a representation or warranty hereunder and shall have no effect on the rights, duties and obligations of the parties under this Agreement, except that the obligations of Newco under Section 8.03 in respect of Financial Support Arrangements shall not include an obligation to seek the release of or comply with Section 8.03(g) with respect to any Financial Support Arrangements in existence on the date of this Agreement that are not disclosed in Section B.10 of the Disclosure Schedules.

(b) Except as disclosed in Section B.10 of the Disclosure Schedules, or known to the Individual Purchasers, to the knowledge of Lockheed Martin all cost or pricing data submitted or certified in connection with Bids and Government Contracts were when filed current, accurate and complete in accordance with the Truth in Negotiation Act, as amended, and the rules and regulations thereunder, except any failures to be current, accurate and complete which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect on the Business.

(c) Except as disclosed in Section B.10 of the Disclosure Schedules, or known to the Individual Purchasers, each Government Contract and each other material Contract relating to the Business or any of the Transferred Assets is a legal, valid and binding obligation of Lockheed Martin (or the applicable Affiliated Transferor) enforceable against Lockheed Martin (or the applicable Affiliated Transferor) in accordance with its terms (except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other laws regarding fraudulent conveyances and preferential transfers, and subject to the limitations imposed by general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity), and Lockheed Martin (or the applicable Affiliated Transferor) is not in default and has not failed to perform any obligation thereunder, and, to the knowledge of Lockheed Martin, there does not exist any event, condition or omission which would constitute a breach or default (whether by lapse of time or notice or both) by any other Person, except for any such default, failure or breach as has not had, and could not reasonably be expected to have, a Material Adverse Effect on the Business.

B.11. Licenses and Permits. To the knowledge of Lockheed Martin, Lockheed Martin (or the appropriate Affiliated Transferor) has all licenses, franchises, permits and other similar authorizations affecting, or relating in any way to, the Business required by law to be obtained by Lockheed Martin (or the appropriate Affiliated Transferor) to permit Lockheed Martin to conduct the Business in substantially the same manner as the Business has heretofore been conducted.

B.12. Finders' Fees. Except for Bear, Stearns & Co. Inc., whose fees will be paid by Lockheed Martin, there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Lockheed Martin who might be entitled to any fee or commission from Lockheed Martin, Newco or the Purchasers or any of their Affiliates upon consummation of the contemplated Transactions.

B.13. Environmental Compliance. Except as disclosed in Section B.13 of the Disclosure Schedules or known to the Individual Purchasers, and except as reserved against or referred to in the December Statement, to the knowledge of Lockheed Martin the Business is and has been in substantial compliance with all applicable Environmental Laws, and has obtained all material permits, licenses and other authorizations that are required under applicable Environmental Laws. Except as set forth in Section B.13 of the Disclosure Schedules or known to the Individual Purchasers, and except as reserved against or referred to in the December Statement, to the knowledge of Lockheed Martin (i) the Business is and has been in material compliance with the terms and conditions under which the permits, licenses and other authorizations referenced in the preceding sentence were issued or granted, (ii) the Lockheed Martin Companies hold all permits required by Environmental Laws that are appropriate to conduct the Business as presently conducted in all material respects and to operate the Transferred Assets in all material respects as they are presently operated; (iii) no suspension, cancellation or termination of any of permit referred to in clause (ii) is pending or to Lockheed Martin's knowledge threatened; (iv) Lockheed Martin has not received written notice of any material Environmental Claim relating to or affecting the Business or the Transferred Assets, and to the knowledge of Lockheed Martin, there is no such threatened Environmental Claim; (v) Lockheed Martin, in connection with the Business or the Transferred Assets, has not entered into, agreed in writing to, or is subject to any judgment, decree, order or other similar requirement of any Governmental Authority under any Environmental Laws.

B.14. Compliance with Laws. Except as set forth in Section B.14 of the Disclosure Schedules and, except for violations or infringements of Environmental Laws or orders, writs, injunctions or decrees relating to Contracts or Bids and except for violations or infringements that have not had, and may not reasonably be expected to have, a Material Adverse Effect on the Business, to the knowledge of Lockheed Martin the operation of the Business and condition of the Transferred Assets have not violated or infringed, and do not violate or infringe, in any respect any Applicable Law or any order, writ, injunction or decree of any Governmental Authority.

B.15. Government Contracts.

(a) Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, and except for inaccuracies in the following as have not had, and may not reasonably be expected to have a Material Adverse Effect on the Business, with respect to each fixed price Government Contract with a backlog value in excess of $5,000,000, each "cost plus" Government Contract with a backlog value in excess of $7,500,000 and each Bid that, if accepted, would result in such a Government Contract (a "Government Bid") to which Lockheed Martin or any Affiliated Transferor is a party with respect to the Business, (i) to the knowledge of Lockheed Martin, Lockheed Martin (or the applicable Affiliated Transferor) has complied with all terms and conditions of such Government Contract or Government Bid, including all clauses, provisions and requirements incorporated expressly, by

reference or by operation of law therein; (ii) to the knowledge of Lockheed Martin, Lockheed Martin (or the applicable Affiliated Transferor) has complied with all requirements of all Applicable Laws or agreements pertaining to such Government Contract or Government Bid; (iii) to the knowledge of Lockheed Martin, all representations and certifications executed, acknowledged or set forth in or pertaining to such Government Contract or Government Bid were complete and correct as of their effective date, and Lockheed Martin (or the applicable Affiliated Transferor) has complied in all respects with all such representations and certifications; (iv) neither the U.S. Government nor any prime contractor, subcontractor or other Person has notified Lockheed Martin (or the applicable Affiliated Transferor) that Lockheed Martin (or the applicable Affiliated Transferor) has breached or violated any Applicable Law, certification, representation, clause provision or requirement pertaining to such Government Contract or Government Bid; (v) no termination for convenience, termination for default, cure notice or show cause notice is currently in effect pertaining to such Government Contract or Government Bid; (vi) to the knowledge of Lockheed Martin, no cost incurred by Lockheed Martin (or the applicable Affiliated Transferor) pertaining to such Government Contract or Government Bid has been questioned or challenged, is the subject of any investigation or has been (or could reasonably be expected to be) disallowed by the U.S. Government; (vii) to the knowledge of Lockheed Martin, no money due to Lockheed Martin (or the applicable Affiliated Transferor) pertaining to such Government Contract or Government Bid has been (or has attempted to be) withheld or set off and Lockheed Martin (or the applicable Affiliated Transferor) is entitled to all progress payments with respect thereto and (viii) each Government Contract is valid and subsisting.

(b) Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, and except as has not had, and may not reasonably be expected to have, a Material Adverse Effect on the Business, with respect to the Business; (i) to the knowledge of Lockheed Martin, none of its respective employees, consultants or agents is (or during the last five years has been) under administrative, civil or criminal investigation, indictment or information by any Governmental Authority, or any audit or investigation by Lockheed Martin with respect to any alleged irregularity, misstatement or omission arising under or relating to any Government Contract or Government Bid; and (ii) during the last five years, Lockheed Martin has not conducted or initiated any internal investigation or, to Lockheed Martin's knowledge, had reason to conduct, initiate or report any internal investigation, or made a voluntary disclosure to the U.S. Government, with respect to any alleged irregularity, misstatement or omission arising under or relating to a Government Contract or Government Bid. Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, Lockheed Martin has no knowledge of any irregularity, misstatement or omission arising under or relating to any Government Contract or Government Bid that has led or could reasonably be expected to lead, either before or after the Closing Date, to any of the consequences set forth in clause (i) or (ii) of the immediately preceding sentence or any other material damage, penalty assessment, recoupment of payment or disallowance of cost.

(c) Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, and except as has not had, and may not reasonably be expected to have, a Material Adverse Effect on the Business, with respect to the Business, to the knowledge of Lockheed Martin, there exist (i) no outstanding claims against Lockheed Martin or any

Affiliated Transferor, either by the U.S. Government or by any prime contractor, subcontractor, vendor or other third party, arising under or relating to any Government Contract or Bid referred to in Section B.15(a) and (ii) no disputes between Lockheed Martin or any Affiliated Transferor and the U.S. Government under the Contract Disputes Act or any other Federal statute or between Lockheed Martin or any Affiliated Transferor and any prime contractor, subcontractor or vendor arising under or relating to any such Government Contract or Government Bid. Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, Lockheed Martin has no knowledge of any fact that could reasonably be expected to result in a claim or a dispute under clause (i) or (ii) of the immediately preceding sentence.

(d) Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, neither Lockheed Martin (or any Affiliated Transferor) (with respect to the Business), nor to Lockheed Martin's knowledge, any of its employees, consultants or agents is (or during the last five years has been) suspended or debarred from doing business with the U.S. Government or is (or during such period was) the subject of a finding of nonresponsibility or ineligibility for U.S. Government contracting. Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, Lockheed Martin does not know of any facts or circumstances that would warrant the suspension or debarment, or the finding of nonresponsibility or ineligibility, on the part of Lockheed Martin (or any Affiliated Transferor) or any of Lockheed Martin's (or any Affiliated Transferor's) employees, consultants or agents. Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, and except as has not had, and may not reasonably be expected to have, a Material Adverse Effect on the Business, to Lockheed Martin's knowledge, the Lockheed Martin Companies have complied with all requirements of all material laws pertaining to all Government Contracts and Bids.

(e) Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, and except for any of the following as has not had, and may not reasonably be expected to have, a Material Adverse Effect on the Business, to the knowledge of Lockheed Martin, all test and inspection results Lockheed Martin (or any Affiliated Transferor) has provided to the U.S. Government pursuant to any Government Contract referred to in Section B.15(a) or to any other Person pursuant to any such Government Contract or as a part of the delivery to the U.S. Government pursuant to any such Government Contract of any article designed, engineered or manufactured in the Business were complete and correct as of the date so provided. Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, and except for any of the following as has not had, and may not reasonably be expected to have, a Material Adverse Effect on the Business, to the knowledge of Lockheed Martin, Lockheed Martin (or an Affiliated Transferor) has provided all test and inspection results to the U.S. Government pursuant to any such Government Contract as required by Applicable Law and the terms of the applicable Government Contracts.

(f) Except as set forth in Section B.15 of the Disclosure Schedules or known to the Individual Purchasers, and except for any of the following as has not had, and may not reasonably be expected to have, a Material Adverse Effect on the Business, to the knowledge of Lockheed Martin, no statement, representation or warranty made by Lockheed Martin (or an Affiliated Transferor) in any Government Contract, any exhibit thereto or in

any certificate, statement, list, schedule or other document submitted or furnished to the U.S. Government in connection with any Government Contract or Government Bid (i) contained on the date so furnished or submitted any untrue statement of a material fact, or failed to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading or (ii) contains on the date hereof any untrue statement of a material fact, or fails to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading, except in the case of both clauses (i) and (ii) any untrue statement or failure to state a material fact that would not result in any material liability to the Business as a result of such untrue statement or failure to state a material fact.

B.16. Intellectual Property. With respect to Intellectual Property that constitute Transferred Assets, except as set forth in Section B.16 of the Disclosure Schedules, to the knowledge of Lockheed Martin:

(a) Lockheed Martin (or an Affiliated Transferor) owns, free and clear of all Liens other than Permitted Liens, and subject to any licenses granted by Lockheed Martin and its Affiliates prior to the Closing Date, all right, title and interest in such Intellectual Property. To the knowledge of Lockheed Martin, the use of such Intellectual Property in connection with the operation of the Business as heretofore conducted does not conflict with, infringe upon or violate the intellectual property rights of any other Persons;

(b) Lockheed Martin (or an Affiliated Transferor) has the right to use all Intellectual Property used by the Business and necessary for the continued operation of the Business in substantially the same manner as its operations have heretofore been conducted except where the failure to have any such Intellectual Property has not had, and could not reasonably be expected to have, a Material Adverse Effect on the Business; and

(c) Upon the consummation of the Closing hereunder, (i) Newco will be vested with all of Lockheed Martin's (or the Affiliated Transferors') rights, title and interest in, and Lockheed Martin's (or the Affiliated Transferors') rights and authority to use in connection with the Business, all of the Intellectual Property that constitute Transferred Assets and (ii) such Intellectual Property, together with the Intellectual Property licensed to Newco in accordance with Section 9.04 of the Agreement and any other interests in Intellectual Property transferred hereunder will collectively constitute such rights and interests in Intellectual Property which are necessary for the continued operation of the Business as a whole in substantially the same manner as its operations have heretofore been conducted, except where any inaccuracy of clause (ii) has not had, and could not reasonably be expected to have, a Material Adverse Effect on the Business.

B.17. Government Furnished Equipment. Section B.17 of the Disclosure Schedules incorporates the most recent schedule delivered to the U.S. Government which identifies by description or inventory number certain equipment and fixtures loaned, bailed or otherwise furnished to or held by each Business Unit by or on behalf of the United States. To Lockheed Martin's knowledge, such schedule was accurate and complete on its date and, if dated as of the Closing Date, would contain only those additions and omit only those deletions of equipment and fixtures that have occurred in the

ordinary course of business, except for such inaccuracies that could not reasonably be expected to have a Material Adverse Effect on the Business.

B.18. Powers of Attorney. Section B.18 of the Disclosure Schedules lists the names of each person holding powers of attorney from any of the Lockheed Martin Companies in connection with the Business.

B.19. Insurance. Section B.19 of the Disclosure Schedules contains a correct and complete list of all material policies of insurance held by any of the Lockheed Martin Companies that have been procured specifically with respect to the operation of the Business, other than workers' compensation policies.

B.20. Affiliate Transactions. Except as set forth in Section B.20 of the Disclosure Schedule, (a) there is no ongoing agreement or arrangement between Lockheed Martin or any Affiliated Transferor, on the one hand, and any of the Business Units, on the other hand, having an annual cost to a Business Unit or any of the Lockheed Martin Companies, individually, in excess of $120,000; (b) there is no debt owed by any Business Unit to any of the Lockheed Martin Companies (other than another Business Unit), other than debt which will be eliminated prior to the Closing or otherwise will not be an Assumed Liability; and (c) there is no indemnification or similar obligation owed by any Business Unit to Lockheed Martin or any of its Affiliates (other than another Business Unit), other than in connection with or resulting from the failure of a Business Unit to perform its obligations under any Contracts involving Lockheed Martin or any of its Affiliates.

B.21. Employee Benefit Matters.

(a) To the knowledge of Lockheed Martin, Section B.21 of the Disclosure Schedule lists each Employee Plan or Benefit Arrangement which covers Transferred Employees or Transferred Beneficiaries and each collective bargaining agreement covering Transferred Employees.

(b) Except as set forth in Section B.21 of the Disclosure Schedule and with respect to the Business:

(i) Neither Lockheed Martin nor any member of its "Controlled Group" (defined as any organization which is a member of a controlled group of organizations within the meaning of Code Sections 414(b), (c), (m) or (o)) has ever contributed to or had any liability to a multi-employer plan, as defined in Section 3(37) of ERISA, which could reasonably be expected to have a Material Adverse Effect on the Business;

(ii) To the knowledge of Lockheed Martin, except to the extent known by the Individual Purchasers with respect to the Business Units other than the Communications Systems Business Unit, no fiduciary of any funded Employee Plan has engaged in a "prohibited transaction" (as that term is defined in Section 4975 of the Code and Section 406 of ERISA) which could subject Newco to a penalty tax imposed by Section 4975 of the Code;

(iii) No Employee Plan that is subject to Section 412 of the Code has incurred an "accumulated funding deficiency" within the meaning of Section 412 of the Code, whether or not waived;

(iv) To the knowledge of Lockheed Martin, except to the extent known by the Individual Purchasers with respect to the Business Units other than the Communications Systems Business Unit, each Employee Plan and Benefit Arrangement has been established and administered in accordance with its terms and in compliance with Applicable Law;

(v) To the knowledge of Lockheed Martin, except to the extent known by the Individual Purchasers with respect to the Business Units other than the Communications Systems Business Unit, no Employee Plan subject to Title IV of ERISA has incurred any material liability under such title other than for the payment of premiums to the Pension Benefit Guaranty Corporation ("PBGC"), all of which to the knowledge of Lockheed Martin and the Individual Purchasers have been paid when due;

(vi) No defined benefit Employee Plan has been terminated; nor have there been any "reportable events" (as that term is defined in Section 4043 of ERISA and the regulations thereunder), other than reportable events arising directly from the Contemplated Transactions, which would present a risk that an Employee Plan would be terminated by the PBGC in a distress termination;

(vii) Each Employee Plan intended to qualify under Section 401 of the Code has received a determination letter that it is so qualified and to the knowledge of Lockheed Martin, except to the extent known by the Individual Purchasers with respect to the Business Units other than the Communications Systems Business Unit, no event has occurred with respect to any such Employee Plan which could cause the loss of such qualification or exemption;

(viii) With respect to each Employee Plan listed on Section B.21 of the Disclosure Schedule, Lockheed Martin has made available to Newco the most recent copy (where applicable) of (A) the plan document; (B) the most recent determination letter; (C) any summary plan description; (D) Form 5500; and (E) actuarial valuation report; and with respect to each Benefit Arrangement that covers any Transferred Employee or Transferred Beneficiary, Lockheed Martin has made available to Newco a current, accurate and complete copy (or, to the extent that no such copy exists, an accurate description) thereof; and

(ix) To the knowledge of Lockheed Martin, except to the extent known by the Individual Purchasers with respect to the Business Units other than the Communications Systems Business Unit, no Employee Plan or Benefit Arrangement exists which could result in the payment to any Transferred Employee or Transferred Beneficiary of any money or other property or rights or accelerate or provide any other rights or benefits to any Transferred Employee or Transferred Beneficiary as a result of the transaction contemplated by this Agreement, whether or not such payment would constitute a parachute payment (within the meaning of Section 280G of the Code).

EXHIBIT C

REPRESENTATION AND WARRANTIES OF LEHMAN

Lehman hereby represents and warrants to Lockheed Martin and the individual Purchasers and, upon the Closing, to Newco that:

C.01. Organization and Existence. Lehman is a limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware and has all partnership powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where the failure to have such licenses, authorizations, consents and approvals has not had and may not reasonably be expected to have, a Material Adverse Effect on Lehman. Lehman is duly qualified to do business as a foreign limited partnership in each jurisdiction where the character of the property owned or leased by it or the nature of its activities make such qualification necessary to carry on its business as now conducted, except for those jurisdictions where failure to be so qualified has not had, and may not reasonably be expected to have, a Material Adverse Effect on Lehman.

C.02. Authorizations. The execution, delivery and performance by Lehman of the Transaction Documents and the consummation by Lehman of the Contemplated Transactions are within the partnership powers of Lehman and have been duly authorized by all necessary partnership action on the part of Lehman. Each of the Transaction Documents constitutes a legal, valid and binding agreement of Lehman, enforceable against Lehman in accordance with its terms (i) except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other laws regarding fraudulent conveyances and preferential transfers and (ii) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at law or in equity).

C.03. Governmental Authorization.

(a) The execution, delivery and performance by Lehman of the Transaction Documents require no action by or in respect of, consents or approvals of, or filing with, any governmental body, agency, official or authority other than:

(i) compliance with any applicable requirements of the HSR Act; and

(ii) compliance with any applicable requirements of the 1933 Act.

(b) To the actual knowledge of Lehman, there are no facts relating to the identity or circumstances of Lehman or any of its Affiliates that would prevent or materially delay obtaining the consents or approvals referred to in Section C.03(a).

C.04. Non-Contravention. The execution, delivery and performance by Lehman of the Transaction Documents do not and will not (i) contravene or

conflict with the certificate of limited partnership or Amended and Restated Agreement of Limited Partnership of Lehman, (ii) assuming compliance with the matter referred to in Section C.03, contravene or conflict with or constitute a violation of any provision of any law, regulation, judgment, injunction, order or decree binding upon or applicable to Lehman, or (iii) constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation of Lehman or to a loss of any benefit to which Lehman is entitled under any provision of any agreement, contract or other instrument binding upon Lehman or any license, franchise, permit or other similar authorization held by Lehman, except, in the case of clauses (ii) and (iii), for any such contravention, conflict, violation, default, termination, cancellation, acceleration or loss that would not have a Material Adverse Effect on Lehman.

C.05. Finders' Fees. Except for Lehman Brothers Inc., there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Lehman who might be entitled to any fee or commission from Newco, Lockheed Martin or any of its Affiliates, or either of the Individual Purchasers, upon consummation of the Contemplated Transactions by the Transaction Documents.

C.06. Litigation. There is no action, suit, investigation or proceeding pending against, or to the actual knowledge of Lehman, threatened against or affecting, Lehman before any court or arbitrator or any governmental body, agency or official which in any matter challenges or seeks to prevent, enjoin, alter or materially delay the Contemplated Transactions.

C.07. Inspections. Lehman is an informed and sophisticated participant in the Contemplated Transactions, and has engaged expert advisors, experienced in the evaluation and purchase of enterprises such as the Business. Lehman has undertaken an investigation and has been provided with, has evaluated and has relied upon certain documents and information to assist Lehman in making an informed and intelligent decision with respect to the execution of the Transaction Documents. Lehman will undertake prior to Closing such further investigation and request such additional documents and information as it deems necessary. Lehman acknowledges that Lockheed Martin has made no representation or warranty as to the prospects, financial or otherwise of the Business. Lehman agrees that Newco shall accept the Transferred Assets and the Assumed Liabilities as they exist on the Closing Date based upon Lehman's and the Individual Purchasers' inspection, examination and determination with respect thereto as to all matters, and without reliance upon any express or implied representations or warranties of any nature, whether in writing, orally or otherwise, made by or on behalf of or imputed to Lockheed Martin except as expressly set forth in the Transaction Documents.

C.08. Financing. Lehman has available to it cash, marketable securities or other investments, or presently available sources of credit, to enable it to purchase the shares of Newco Class A Stock contemplated by this Agreement.

EXHIBIT D

REPRESENTATIONS AND WARRANTIES OF THE INDIVIDUAL PURCHASERS

Each of the Individual Purchasers hereby represents and warrants, with respect to himself, to Lockheed Martin and Lehman and, upon the Closing, to Newco that:

D.01. Governmental Authorization.

(a) The execution, delivery and performance by each Individual Purchaser of the Transaction Documents require no action by or in respect of, consents or approvals of, or filing with, any governmental body, agency, official or authority other than:

(i) compliance with any applicable requirements of the HSR Act; and

(ii) compliance with any applicable requirements of the 1933 Act.

(b) To the knowledge of each of the Individual Purchasers, there are no facts relating to the identity or circumstances of the Individual Purchasers that would prevent or materially delay obtaining any of the consents or approvals referred to in Section D.01(a).

D.02. Non-Contravention. The execution, delivery and performance by each of the Individual Purchasers of the Transaction Documents do not and will not (i) assuming compliance with the matters referred to in Section D.01, contravene or conflict with or constitute a violation of any provision of any law, regulation, judgment, injunction, order or decree binding upon or applicable to the Individual Purchasers or (ii) constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation of either of the Individual Purchasers or to a loss of any benefit to which either of the Individual Purchasers is entitled under any provision of any agreement, contract or other instrument binding upon either of the Individual Purchasers or any license, franchise, permit or other similar authorization held by either of the Individual Purchasers, except for any such contravention, conflict, violation, default, termination, cancellation, acceleration or loss that is immaterial to the Contemplated Transactions and the operation of the Business after Closing.

D.03. Finders' Fees. There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of either of the Individual Purchasers who might be entitled to any fee or commission from Newco, Lockheed Martin or Lehman, or any of their Affiliates, upon consummation of the Contemplated Transactions.

D.04. Litigation. There is no action, suit, investigation or proceeding pending against, or to the knowledge of either of the Individual Purchasers, threatened against or effecting, either of the Individual Purchasers before any court or arbitrator or any governmental body, agency or official which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the Contemplated Transactions.

D.05. Inspections. Each of the Individual Purchasers is an informed and sophisticated participant in the Contemplated Transactions, and has engaged such expert's advisors as he deems appropriate. Each of the Individual Purchasers has undertaken an investigation and has been provided with, has evaluated and has relied upon certain documents and information to assist him in making an informed and intelligent decision with respect to the execution of the Transaction Documents. Each of the Individual Purchasers will undertake prior to Closing such further investigation and request such additional documents and information as he deems necessary. Each of the Individual Purchasers acknowledges that Lockheed Martin has made no representation or warranty as to the prospects, financial or otherwise of the Business. Each of the Individual Purchasers agrees that Newco shall accept the Transferred Assets and the Assumed Liabilities as they exist on the Closing Date based upon Lehman's and the Individual Purchasers' inspection, examination and determination with respect thereto as to all matters, and without reliance upon any express or implied representations or warranties of any nature, whether in writing, orally or otherwise, made by or on behalf of or imputed to Lockheed Martin, except as expressly set forth in the Transaction Documents.

D.06. Financing. Each of the Individual Purchasers has available sufficient cash, marketable securities or other investments, or presently available sources of credit, to enable him to purchase the shares of Newco Class B Stock contemplated by this Agreement.

EXHIBIT E

REPRESENTATION AND WARRANTIES OF NEWCO

Newco hereby represents and warrants to Lockheed Martin, Lehman and the Individual Purchasers that:

E.01. Organization and Existence. Newco is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has (or, prior to the Closing Date, will have) all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where the failure to have such licenses, authorizations, consents and approvals has not had and may not reasonably be expected to have, a Material Adverse Effect on Newco (after giving effect to the Contemplated Transactions). As of the Closing Date, Newco will be duly qualified to do business as a foreign corporation in each jurisdiction where the character of the property owned or leased by it or the nature of its activities (after giving effect to the Contemplated Transactions) make such qualification necessary to carry on its business as now conducted, except for those jurisdictions where failure to be so qualified has not had, and may not reasonably be expected to have, a Material Adverse Effect on Newco (after giving effect to the Contemplated Transactions).

E.02. Corporate Authorizations. The execution, delivery and performance by Newco of the Transaction Documents and the consummation by Newco of the Contemplated Transactions are within the corporate powers of Newco and have been (or, prior to the Closing, will have been) duly authorized by all necessary corporate action on the part of Newco. Each of the Transaction Documents constitutes a legal, valid and binding agreement of Newco, enforceable against Newco in accordance with its terms (i) except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, including the effect of statutory and other laws regarding fraudulent conveyances and preferential transfers and (ii) subject to the limitations imposed by general equitable principles (regardless of whether such enforceability is considered in a proceeding at law or in equity).

E.03. Governmental Authorization.

(a) Except as set forth on Attachment X, the execution, delivery and performance by Newco of the Transaction Documents require no action by or in respect of, consents or approvals of, or filing with, any governmental body, agency, official or authority other than:

(i) compliance with any applicable requirements of the HSR Act; and

(ii) compliance with any applicable requirements of the 1933 Act.

(b) There are no facts relating to the identity or circumstances of Newco known to Newco that would prevent or materially delay obtaining any of the consents or approvals referred to in Section E.03(a).

E.04. Non-Contravention. The execution, delivery and performance by Newco of the Transaction Documents do not and will not (i) contravene or conflict with the charter or bylaws of Newco, (ii) assuming compliance with the matters referred to in Section E.03, contravene or conflict with or constitute a violation of any provision of any law, regulation, judgment, injunction, order or decree binding upon or applicable to Newco, or (iii) constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation of Newco or to a loss of any benefit to which Newco is entitled under any provision of any agreement, contract or other instrument binding upon Newco or any license, franchise, permit or other similar authorization held by Newco, except, in the case of clauses (ii) and (iii), for any such contravention, conflict, violation, default, termination, cancellation, acceleration or loss that could not reasonably be expected to have a Material Adverse Effect on Newco.

E.05. Finders' Fees. Except for Lehman Brothers Inc., there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Newco who might be entitled to any fee or commission from Lockheed Martin or Lehman (or any of their Affiliates), or from either of the Individual Purchasers, upon consummation of the Contemplated Transactions.

EXHIBIT F

TAX MATTERS

F.01. Tax Definitions. The following terms shall have the following meanings:

"Allocation Tax Loss" means an amount equal to 20% of the first $5,000,000 of the Tax Basis Shortfall and 25% of the next $20,000,000 of the Tax Basis Shortfall.

"Basis Liabilities" means Assumed Liabilities which upon the Tax Closing Date give rise to the creation of, or increase in, basis to Newco of one or more Transferred Assets for Income Tax purposes.

"Cash Sale" means a transfer of assets to Newco pursuant to the Transaction Agreement whereby Lockheed Martin or any of its Affiliated Transferors, as the case may be, does not receive any Newco Class A Stock as Exchange Consideration for Transferred Assets.

"Code" means the Internal Revenue Code of 1986, as amended.

"Final Determination" means a determination as defined in Section 1313(a) of the Code or any other event which finally and conclusively establishes the amount of any liability for Taxes.

"Income Taxes" means any Taxes determined by reference to net income.

"Post-Closing Tax Period" means that portion of any Tax period ending after the Tax Closing Date, which is after the Tax Closing Date.

"Pre-Closing Tax Period" means that portion of any Tax period ending on or before the Tax Closing Date, which is on or before the Tax Closing Date.

"Section 351 Transfer" means a transfer of assets to Newco pursuant to the Transaction Agreement whereby Lockheed Martin or any of its Affiliated Transferors, as the case may be, receives Newco Class A Stock as part or all of the Exchange Consideration for Transferred Assets.

"Tax" means any tax imposed of any nature including federal, state, local or foreign net income tax, alternative or add-on minimum tax, profits or excess profits tax, franchise tax, gross income, adjusted gross income or gross receipts tax, employment related tax (including employee withholding or employer payroll tax, FICA, or FUTA), real or personal property tax or ad valorem tax, sales or use tax, excise tax, stamp tax or duty, any withholding or backup withholding tax, value added tax, severance tax, prohibited transaction tax, premiums tax, occupation tax, together with any interest or any penalty, addition to tax or additional amount imposed by any Governmental Authority responsible for the imposition of any such tax.

"Tax Basis Shortfall" means the amount by which Newco's adjusted tax basis in the Transferred Assets (after the recognition of gains pursuant to Section F.07.(a)(i)(C)) is less than $525,000,000 plus or minus any

adjustment to the Exchange Consideration in accordance with Sections 2.03 and 2.04 and plus the Basis Liabilities.

"Tax Closing Date" means the Effective Date.

F.02. Tax Return Packages. Newco will use its reasonable efforts to cause appropriate employees of the Business to prepare usual and customary Tax return packages (in the form provided to the Business Units for the 1996 calendar year) with respect to (1) the taxable period ended December 31, 1996, in the event that such packages have not been prepared prior to Closing and (2) the tax period beginning January 1, 1997 and ending as of the Tax Closing Date. In the event that Tax return packages for the taxable period ended December 31, 1996 have not been prepared prior to Closing, then Newco will use reasonable efforts to cause the Tax return packages for such taxable period to be delivered to Lockheed Martin no later than 30 days subsequent to Closing. Newco will use reasonable efforts to cause the Tax return packages for the period beginning on January 1, 1997 and ending as of the Tax Closing Date to be delivered to Lockheed Martin no later than the last day of the third calendar month succeeding the month in which the Closing occurs.

F.03.A. Assumed Liabilities. The term Assumed Liabilities as defined in Exhibit A shall include any and all liabilities and obligations of Lockheed Martin and the Affiliated Transferors for Taxes arising from or with respect to the Transferred Assets or the operation of the Business with respect to any period ending prior to on or after the Tax Closing Date other than (i) income or franchise taxes arising from or with respect to the Transferred Assets or the operations of the Business for the Pre-Closing Tax Period (other than state or local income or franchise taxes attributable to the Business with respect to a Pre-Closing Tax Period to the extent reimbursable (but not actually reimbursed as of the Tax Closing Date) by the U.S. Government pursuant to the principles of Federal Acquisition Regulation Part 31, Contract Cost Principles and Procedures), and (ii) income or franchise taxes imposed on Lockheed Martin or any of the Affiliated Transferors with respect to gain or loss on the disposition of the Transferred Assets pursuant to the Transaction Agreement (other than Taxes borne by Newco pursuant to Section 15.03). Notwithstanding the foregoing, the parties agree that, with respect to Tax liabilities attributable to the Communications Systems Business Unit relating to the Pre-Closing Tax Period, Newco shall not assume any liability or obligation other than and only to the extent (i) disclosed or provided for in the December Statement or taken into account in the determination of the Final Net Tangible Asset Amount or (ii) relating to Tax periods for which Tax returns (including any applicable extensions) are not required to have been filed prior to the Tax Closing Date.

F.03.B. Excluded Liabilities. The term Excluded Liabilities as defined in Exhibit A shall include any and all liabilities or obligations for any and all Taxes arising from or with respect to the Transferred Assets or operations of the Business that are not Assumed Liabilities as defined in Section F.03.A.

F.04.A. Transferred Assets. The term Transferred Assets as defined in Exhibit A shall include any and all refunds, credits or rights of recovery in respect of any Taxes that are Assumed Liabilities as defined in Section F.03.A.

F.04.B. Excluded Assets. The term Excluded Assets as defined in Exhibit A shall include any refund, credit or right of recovery in respect of any Taxes that are not Assumed Liabilities as defined in Section F.03.A.

F.05. Allocation of Exchange Consideration.

(a) Within 30 days after the appraisal of the Transferred Assets by Coopers & Lybrand L.L.P. as referred to in Section F.07 has been completed, Lockheed Martin shall prepare a schedule (the "Exchange Consideration Schedule") setting forth the allocation of the cash amount of the Exchange Consideration among Lockheed Martin and each of the Affiliated Transferors. The allocation shall be determined based on such appraisal by Coopers & Lybrand L.L.P., and shall take into account the allocation of Newco Class A Stock among Lockheed Martin and the Affiliated Transferors, as determined by Lockheed Martin in its sole discretion. In connection with the preparation of the Exchange Consideration Schedule, Lockheed Martin shall give Newco reasonable access to the books and records of Lockheed Martin in respect of the Transferred Assets and the Basis Liabilities. Lockheed Martin agrees to make reasonable efforts to allocate the Exchange Consideration in the Exchange Consideration Schedule in a manner calculated to allow Newco to obtain a tax basis in the Transferred Assets equal to, but not greater than, $525,000,000 plus or minus any adjustment to the Exchange Consideration in accordance with Sections 2.03 and 2.04 and plus the Basis Liabilities. Lockheed Martin covenants and agrees that the Exchange Consideration will be allocated so that the adjusted tax basis of Newco in the Transferred Assets, based on the allocation in the Exchange Consideration Schedule, will be not less than $500,000,000 plus or minus any adjustment to the Exchange Consideration in accordance with Sections 2.03 and 2.04 and plus the Basis Liabilities.

(b) The Allocation Tax Loss shall be determined jointly by Lockheed Martin and Newco within 90 days after the Exchange Consideration Schedule is delivered to Newco. Any dispute with respect to the determination of the Allocation Tax Loss shall be resolved in the manner specified in Section 2.03 (b) (regarding determination of the Final Net Tangible Asset Amount). Within 10 days after the Allocation Tax Loss is determined, Lockheed Martin shall pay to Newco the amount of the Allocation Tax Loss with interest thereon from the Closing Date to the date of payment at a rate per annum equal to the per annum interest rate announced from time to time by Bank of America National Trust and Savings Association as its reference rate in effect. Such payment shall be made in immediately available funds by wire transfer to a bank account designated in writing by Newco. Newco agrees that the aforementioned payment by Lockheed Martin shall satisfy all obligations assumed by Lockheed Martin pursuant to this Section F.05. Lockheed Martin shall have no further obligation to indemnify Newco with regard to any adjustment to the tax basis of the Transferred Assets in the hands of Newco as a result of an audit by the Internal Revenue Service or any other Tax authority, or as a result of any other adjustment which is treated for Tax purposes as an adjustment to the Exchange Consideration.

F.06. Representations and Warranties of Lockheed Martin. Lockheed Martin hereby represents prior to but not after the Closing to the Purchasers, and as of and after the Closing to Newco that:

(a) there are no liens on any of the Transferred Assets that arose in connection with any failure (or alleged failure) to pay any Tax;

(b) neither Lockheed Martin nor any of the Affiliated Transferors will take part in both a Section 351 Transfer and a Cash Sale in the context of the Contemplated Transactions;

(c) neither Lockheed Martin nor any of the Affiliated Transferors has transferred or otherwise altered the ownership of any of the Transferred Assets in anticipation of the Contemplated Transactions.

F.07. Consistent Reporting.

(a) Section 351 Transfers

(i) Unless there has been a Final Determination to the contrary, Lockheed Martin, the Affiliated Transferors and Newco covenant and agree, for all Tax purposes including all Tax returns and Tax controversies, to (and to cause any Affiliate or successor to their assets or business to) take each of the positions set forth in subparagraph (A) through (E) below with respect to Section 351 Transfers.

(A) The transfer of assets by each transferor will qualify under Section 351(b) of the Internal Revenue Code of 1986.

(B) The amount of cash received in exchange for any Transferred Asset will be determined by (A) allocating Basis Liabilities to the Transferred Assets in proportion to the adjusted tax basis of such Transferred Assets, and then (B) allocating the total amount of cash received by the transferor among the Transferred Assets in proportion to the net fair market value of such Transferred Assets (the net fair market value being the fair market value of a Transferred Asset reduced by the amount of any Basis Liabilities allocated to the asset).

(C) The tax basis of each Transferred Asset to be received by Newco will be the same as the tax basis of such asset in the hands of the transferor increased by the amount of any gain recognized by the transferor on the transfer of such asset.

(D) The fair market value of each category of Transferred Assets will be determined based on an independent appraisal by Coopers & Lybrand L.L.P.

(E) Neither Newco, nor any successor to its assets or businesses will be entitled to claim any deduction in respect of any Basis Liability to the extent previously deducted by the transferor, unless such previous deduction is later denied.

(ii) Lockheed Martin and the Affiliated Transferors will file with their consolidated federal income tax return for the tax period which includes the Tax Closing Date the information required by Treas. Reg. 1.351-3(a) and will deliver copies of such statements, including attachments, to Newco at least 10 days prior to the date on which such return is filed, and Newco will file with its federal income tax return for the taxable period within which the Tax Closing Date falls the information required by Treas. Reg. 1.351-(b) and will deliver a copy of that statement to Lockheed Martin within ten days thereafter. Within 180 days after the Closing Date, Lockheed Martin will deliver to Newco all of the cost and other basis information relating to the Transferred

Assets and Basis Liabilities reasonably required for Newco to prepare the Statement required by Treas. Reg. 1.351-3(b)(2).

(iii) Lockheed Martin and Newco will jointly prepare schedules showing (A) the amount of any gain recognized on the transfer of each category of Transferred Assets, (B) the tax basis of each category of Transferred Assets in the hands of the transferor, and (C) the amount previously deducted in respect of each category of Basis Liabilities. Such schedules will be prepared in a manner consistent with each of the positions described in Section F.07.(a)(i). In the event of any adjustment to the tax basis of the Transferred Assets or Basis Liabilities, as the result of an audit or otherwise, Lockheed Martin, the Affiliated Transferors and Newco will jointly prepare any necessary revisions to such schedules. Unless there has been a Final Determination to the contrary, Lockheed Martin, the Affiliated Transferors and Newco covenant and agree, for all Income Tax purposes, including all Income Tax returns and any Income Tax controversies, not to take (and to cause any Affiliate or successors to their assets or businesses not to take) any position inconsistent with the basis in assets shown on such schedules (including any revised schedules from and after the date of revision) prepared pursuant to this Section F.07.(a)(iii).

(iv) Lockheed Martin and the Affiliated Transferors covenant and agree to make the election necessary under Section 197(f)(9)(B) of the Code and pay the Tax that is required to be paid thereunder, so that intangible assets will be amortizable to the extent allowable under Section 197 of the Code. Lockheed Martin will deliver a copy of the election to Newco within 10 days of filing or making such election.

(b) Cash Sales

With respect to Cash Sales, the Exchange Consideration shall be allocated among the Transferred Assets in accordance with Section 1060 of the Code and Treasury Regulations thereunder. Such allocation shall be based on an independent appraisal by Coopers & Lybrand L.L.P. Lockheed Martin, the Affiliated Transferors and Newco shall not take any position on their respective Tax returns that is inconsistent with such allocation of the Exchange Consideration for purposes of determining the amount of gain or loss recognized by Lockheed Martin and/or any of the Affiliated Transferors pursuant to Cash Sales, and Lockheed Martin and Newco shall duly prepare and timely file such reports and information returns as may be required to report the allocation, including Internal Revenue Service Form 8594. Lockheed Martin and Newco will each deliver a copy of Form 8594, including attachments, to the other at least 10 days prior to filing it with its tax return.

F.08. Allocation of Income, Deductions and Other Items. For purposes of the Transaction Agreement, income, deductions, and other items will be allocated between the Pre-Closing Tax Period and the Post-Closing Tax Period based on an actual closing of the books of the Business on the Tax Closing Date. Income, deductions and other items attributable to the Pre-Closing Tax Period will be included in the federal and state income and/or franchise tax returns of Lockheed Martin. Income, deductions and other items attributable to the Post-Closing Tax Period will be included in the federal and state income and/or franchise tax returns of Newco.

F.09. Allocation of Taxes. Any pre-paid asset or accrued liability for real property tax, personal property tax or any similar ad valorem obligation levied with respect to any Transferred Asset for a Post-Closing Tax Period which includes the Tax Closing Date will be apportioned as of the Tax Closing Date and included in the determination of the Estimated Final Net Tangible Asset Amount, the Proposed Final Net Tangible Asset Amount and the Final Net Tangible Asset Amount based on the number of days of such taxable period included in the Pre-Closing Tax Period and the number of days of such taxable period included in the Post-Closing Tax Period.

F.10. Credit for Increasing Research Activities. Lockheed Martin, the Affiliated Transferors and Newco agree that the transfers of assets pursuant to the Transaction Agreement constitute dispositions of trades or businesses within the meaning of Section 41(f)(3) of the Code. Lockheed Martin and the Affiliated Transferors agree to provide Newco within 150 days after the Closing Date with all information necessary to permit Newco to timely apply the provisions of Section 41(f)(3)(A) of the Code with respect to the Businesses.

F.11. Costs and Expenses of Appraisal. The costs and expenses of the appraisal by Coopers & Lybrand L.L.P. which is referred to in Sections F.05., F.07.(a)(i)(D) and F.07.(b) shall be shared equally by Lockheed Martin and Newco.

F.12. Resale Certificates. Within 45 days after the Closing Date, where applicable, Newco shall remit to Lockheed Martin such properly completed resale exemption certificates or similar certificates or instruments as are necessary to claim exemptions from the payment of sales, transfer, use or other similar taxes under Applicable Law.

EXHIBIT G

EMPLOYMENT AND EMPLOYEE BENEFIT MATTERS

G.01. Employee Benefits Definitions. The following terms shall have the following meanings:

"Benefit Arrangement" means each employment, severance, continuation pay, termination pay, layoff, or other similar written contract, arrangement or policy and each written plan or arrangement providing for health, medical, life or other welfare or fringe benefit coverage (including any insurance, self-insurance or other arrangements), workers' compensation, severance pay, retention agreements, disability benefits, supplemental unemployment benefits, holiday, education or vacation benefits, retirement benefits or deferred compensation, profit-sharing, benefits in the event of a sale of the Business or other change in the control, management or the ownership of the Business, bonuses, stock options, stock appreciation rights and other forms of incentive compensation or post-retirement insurance, compensation or benefits which (i) is not an Employee Plan, (ii) is or has been entered into, maintained, administered or contributed to, as the case may be, by Lockheed Martin or any of its Affiliates and (iii) covers any Transferred Employee, Transferred Beneficiary and/or his or her dependent, spouse or beneficiary or for which a Transferred Employee would be eligible upon retirement or other termination of service.

"Camden Transferee" means each Transferred Employee who worked in the Communications Systems Business Unit immediately prior to Closing and any Transferred Beneficiary related to such Transferred Employee.

"Employee Plan" means each "employee benefit plan", as such term is defined in Section 3(3) of ERISA, which (i) is subject to any provision of ERISA, (ii) is or has been entered into, maintained, administered or contributed to by Lockheed Martin or any of its Affiliates and (iii) covers any Transferred Employee and/or Transferred Beneficiary.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Transferred Employee" means any Person who, (i) on the Closing Date, is actively employed in the Business, or who, with respect to the Business, is on vacation, approved illness absence, long-term disability, authorized leave of absence (including leave under the Family and Medical Leave Act) or military service leave of absence as of the Closing Date, (ii) was laid off from the Business and has recall rights with respect to the Business, or (iii) is identified on Attachment XI, to be delivered to Newco at the same time as the Disclosure Schedules are delivered.

"Transferred Beneficiary" means any Person who, at Closing, is not a Transferred Employee but (i) who was formerly employed in the Business (other than at the Communications Systems Business Unit)(whether by Lockheed Martin and/or its Affiliates or by their predecessors with respect to the Business) and to whom or with respect to whom Lockheed Martin or any of its Affiliates now has or may have in the future any obligation or liability (whether or not contingent) arising from that Person's employment in the Business or who is now or may become entitled to any coverage or benefit (whether or not

contingent) provided under any Employee Plan or Benefit Arrangement as a result of his or her employment in the Business; (ii) who is the spouse, dependent or beneficiary of a Person who qualifies as a Transferred Employee or a Person described in clause (i), if that spouse, dependent or beneficiary is or may become entitled to any coverage or benefit (whether or not contingent) provided under any Employee Plan or Benefit Arrangement as a result of that Person's employment in the Business.

G.02. Employees and Offers of Employment.

(a) Newco shall offer employment to commence on the Closing Date to all Transferred Employees; provided that, for any Transferred Employee who is on vacation, approved illness absence, authorized leave of absence (including leave under the Family and Medical Leave Act), long-term disability or military service leave of absence as of the Closing, the offer shall remain open until the date he or she is able to return to active employment to the extent consistent with any applicable collective bargaining agreement and/or existing company policy; provided, further, that any Camden Transferee entitled to recall rights shall be offered employment by Newco in accordance with the terms of the applicable bargaining agreement. Each Transferred Employee shall be offered a position by Newco similar to his or her position immediately prior to the Closing Date, at the same job and salary or wage levels, with non-equity based bonus and incentive plans and other non-equity based employee benefit plans substantially similar to those provided by Lockheed Martin and its Affiliates immediately prior to the Closing Date. Such offers of employment shall be at the same respective locations as those at which such Transferred Employees are employed immediately prior to the Closing. Subject to Applicable Law and this Agreement, Newco shall have the right to dismiss any Transferred Employee at any time, with or without cause, and to change the terms of employment of any Transferred Employee.

(b) Lockheed Martin shall provide any notices to Transferred Employees which may be required under the Worker Adjustment Retraining and Notification Act, 29 USC Section 2101 et seq., ("WARN") with respect to events which occur prior to the Closing Date and Newco shall provide any notices to Transferred Employees which may be required under WARN with respect to events which occur on or after the Closing Date.

(c) Commencing on the Closing Date, Newco shall assume all responsibility and liability for all matters arising out of or relating to Transferred Employees and Transferred Beneficiaries regardless of whether such matter arises from or relates to events prior to, on or after the Closing Date, including but not limited to (i) accrued but unpaid wages, bonuses and salary; (ii) all liabilities for workers compensation claims made at any time by Transferred Employees or Transferred Beneficiaries whether or not reported as of the Closing Date and all expenses of administration of such claims; (iii) all incurred but not reported claims for life insurance, medical, disability or similar benefits; (iv) all claims relating to the terms and conditions of employment, hiring, firing, supervision, occupational safety and health, workplace, wages and hours promotion, employment practices or treatment of Transferred Employees or Transferred Beneficiaries; provided, however, that with respect to any responsibility and liability relating to a Camden Transferee for a matter described in clause (iv), Newco shall only assume such responsibility and liability if it arises from or relates to (A) a matter described in Section B.09 of the Disclosure Schedule, or (B) events occurring on or after the Closing Date.

G.03. Plans Following the Closing.

(a) Except to the extent changes are (i) required by Applicable Law; (ii) necessary to maintain the tax favored status of any employee plan or benefit arrangement; (iii) permitted or required under any applicable collective bargaining agreement; or (iv) necessary to eliminate the use of any equity securities as the basis for any equity-based incentive compensation, during the one-year period following the Closing, Newco will maintain employee compensation and employee plans and benefit arrangements for the benefit of the Transferred Employees and Transferred Beneficiaries, in either case, who are not covered by collective bargaining agreements, that are substantially similar to the Employee Plans and Benefit Arrangements (excluding any stock options, stock appreciation or other equity based incentive compensation) in effect on the Closing Date; provided, however, that layoff, severance and retention benefits (including the Special Severance Program) shall be identical during this period; provided, further, that post-retirement benefits for Camden Transferees shall also be provided in accordance with Sections G.03(b) and G.05(f). During such period, for Transferred Employees and Transferred Beneficiaries who are covered by collective bargaining agreements, Newco shall provide such benefits as are required by any and such collective bargaining agreements as are assumed pursuant to Section G.04. Newco will give Transferred Employees full credit for purposes of eligibility, vesting and benefit accrual under any such plans or arrangements maintained by Newco pursuant to this Section G.03 for such Transferred Employees' service recognized for such purposes under the Employee Plans and Benefit Arrangements at Closing; provided, however, that any Newco pension plan may offset pension benefits provided under Newco's pension plan to a Transferred Employee and attributable to service before the Closing Date by any pension benefits provided to that Transferred Employee under any Lockheed Martin pension plan and attributable to that same pre-Closing service.

(b) Effective as of the Closing Date, Lockheed Martin and its Affiliates shall cease to have any liability or obligation to provide post-retirement medical and life insurance benefits to Transferred Employees and Transferred Beneficiaries and Newco shall assume all such liabilities and obligations to provide post- retirement life and medical benefits and shall provide post-retirement medical and life insurance benefits in accordance with Section G.03(a). In addition, Newco will provide (i) substantially equivalent post-retirement medical benefits for Camden Transferees who meet the age and service requirements for those benefits (as such requirements are in effect under the applicable Lockheed Martin plan immediately prior to the Closing Date) by the five-year anniversary of the Closing Date and who retire before that 5th year anniversary; (ii) substantially equivalent post retirement life insurance benefits for those Camden Transferees who were at least age 50 as of December 31, 1994 and have ten years of continuous service at retirement; and (iii) post-retirement medical benefits and life insurance for Transferred Employees and Transferred Beneficiaries covered by a collective bargaining agreement in accordance with the terms of that agreement. Notwithstanding the foregoing, nothing herein shall prevent Newco from increasing the cost to Transferred Employees or Transferred Beneficiaries who became participants in such plans to the extent permitted by law, but only if the proportion of any required payments by such participants does not change in relation to the payments made prior to the Closing Date by such participant's employer; provided, however, nothing herein permits the level of benefits provided under the plans to be decreased.

(c) Newco's plans that are welfare plans (as defined in Section 3(1) of ERISA) shall not contain a clause excluding coverage for preexisting conditions of Transferred Employees or Transferred Beneficiaries (unless and only to the extent and for the period that such pre-existing condition as of the Closing Date would be excluded from coverage under the welfare plans of the Business) and shall provide that any expenses incurred by a Transferred Employee or Transferred Beneficiary during 1997 on or before the Closing shall be taken into account from the Closing until December 31, 1997 under such welfare plans for the purposes of deductible and coinsurance requirements and satisfaction of maximum out-of-pocket provisions to the same extent as if such expenses had been incurred after the Closing.

(d) Effective as of the Closing Date, Newco and Lockheed Martin shall enter into a benefit administration agreement or agreements, whereby Newco shall provide to Lockheed Martin and Lockheed Martin shall provide to Newco, upon reasonable request, assistance in the administration of benefit plans and arrangements after the Closing Date. Newco and Lockheed Martin agree to negotiate in good faith the cost of such services and actual terms of such benefit administration agreement(s).

G.04. Collective Bargaining Agreements. Newco shall (i) expressly recognize any collective bargaining representative recognized by Lockheed Martin or any of its Affiliates as of the Closing for bargaining units consisting of Transferred Employees; (ii) expressly assume any and all of Lockheed Martin's and its Affiliates' obligations under the collective bargaining agreements set forth on Section B.21 of the Disclosure Schedules with respect to the Transferred Employees; and (iii) be a successor employer for purposes of such collective bargaining agreements.

G.05. Pension Plan Obligations

(a) Transferred Employees currently participate in the following defined benefit pension plans: (i) Lockheed Martin Tactical Defense Systems Retirement Plan; (ii) Lockheed Martin Corporation Retirement Income Plan II; (iii) Lockheed Martin Corporation Pension Plan for Employees in Participating Bargaining Units; (iv) The Narda Microwave Corporation Pension Plan; (v) Lockheed Martin Tactical Systems, Inc. Pension Plan; (vi) Lockheed Martin Fairchild Corporation Retirement Plan; (vii) Lockheed Martin Hycor Pension Plan; (viii) Lockheed Martin Retirement Income Plan; (ix) Lockheed Martin Supplemental Retirement Income Plan; (x) Lockheed Martin Retirement Plan for Certain Salaried Employees; (xi) Lockheed Martin Tactical Systems, Inc. Supplemental Executive Retirement Plan; (xii) Lockheed Martin Corporation Supplementary Pension Plan for Employees of Transferred GE Operations; (xiii) Supplemental Executive Retirement Plan for Certain Management Employees of the Narda Microwave Corporation; (xiv) Lockheed Martin Fairchild Corporation Supplemental Benefit Plan; (xv) Lockheed Martin Supplemental Executive Retirement Plan ("Lockheed Martin Pension Plans"). As of the Closing Date, Transferred Employees shall cease to accrue service credit or benefits under Lockheed Martin Pension Plans, other than the Assumed Plans described in Section G.05(b).

(b) With respect to The Narda Microwave Corporation Pension Plan ("Narda Plan") and the Lockheed Martin Hycor Pension Plan ("Hycor Plan") (collectively, the "Assumed Plans"), as of the Closing Date, Lockheed Martin and its Affiliates shall cease to sponsor, administer, pay benefits or contribute to the Assumed Plans (other than for contributions due prior to the Effective Date) and thereby cease to be responsible for any acts,

omissions and transactions under or in connection with any such Assumed Plan, whether occurring before or after Closing. Effective as of the Closing Date, Newco shall become the sponsor of the Assumed Plans. Contingent upon receipt of the Initial Transfer Amount in the case of the Narda Plan or the transfer of sponsorship of the trust in the case of the Hycor Plan, Newco shall assume all liabilities with respect to such Assumed Plan (including liabilities with respect to Transferred Beneficiaries), shall assume responsibility for paying pension benefits in respect of Transferred Employees and Transferred Beneficiaries, and shall become responsible for all acts, omissions and transactions under or in connection with that Assumed Plan, whether arising before or after the Closing. As soon as practicable after the Closing Date, the parties shall cause the sponsorship of the trust agreement maintained to fund the Hycor Plan to be transferred to Newco and Newco, as of the Closing Date, shall assume all of Lockheed Martin's and its Affiliates rights, obligations and duties under that trust agreement. Lockheed Martin shall cause the trusts holding the assets of the Narda Plan to transfer the assets attributable to the Narda Plan (determined as of the end of the month in which the Closing Date occurs) to be transferred to a trust (or trusts) designated by Newco for the purpose of holding the assets of the Narda Plan.

(c) With respect to the (i) Lockheed Martin Tactical Defense Systems Retirement Plan; (ii) Lockheed Martin Corporation Retirement Income Plan II; (iii) Lockheed Martin Corporation Pension Plan for Employees in Participating Bargaining Units; (iv) Lockheed Martin Tactical Systems, Inc. Pension Plan; (v) Lockheed Martin Fairchild Corporation Retirement Plan; and (vi) Lockheed Martin Retirement Income Plan (the "Spinoff Plans"), Newco shall establish a defined benefit plan or plans which provide substantially similar benefits in accordance with Section G.03(a), where applicable,(the "Newco Spinoff Plans") for the benefit of the Transferred Employees and Transferred Beneficiaries participating in the Spinoff Plans. As soon as practicable following the Closing, Lockheed Martin shall cause its actuary to calculate the Accrued Liability of all participants in each of the Spinoff Plans and then to compare, on a plan by plan basis, the Accrued Liability of all the participants in each of the Spinoff Plans to the fair market value of the assets in the respective Spinoff Plan as of the end of the month in which the Closing Date occurs. If the Accrued Liability of all participants in the respective Spinoff Plan is less than the fair market value of the assets in that Spinoff Plan, then Lockheed Martin shall cause assets (determined as of the end of the month in which the Closing Date occurs) to be transferred to a trust established to hold assets of the respective Newco Spinoff Plan equal to such fair market value of the assets multiplied by a fraction the numerator of which is the Accrued Liability of Transferred Employees and Transferred Beneficiaries under such Spinoff Plan and the denominator of which is the Accrued Liability of all participants in such plan. If the Accrued Liability of all participants in the respective Spinoff Plan is equal to or more than the fair market value of the assets in that Spinoff Plan, then Lockheed Martin shall cause its actuary to determine the amount of assets allocable to the liabilities of Transferred Employees and Transferred Beneficiaries participating in that plan based on Section 4044 of ERISA ("Section 4044 Amount"). Lockheed Martin shall cause assets in cash equal to the Section 4044 Amount applicable to Transferred Employees and Transferred Beneficiaries under such Spinoff Plan to be transferred to a trust established by Newco to hold assets of the respective Newco Spinoff Plans. Contingent upon the transfer of the Initial Transfer Amount (as described in Section G.05(b)) to each Newco Spinoff Plan, Newco shall assume all liabilities of Lockheed Martin and its affiliates with respect to Transferred Employees and Transferred Beneficiaries under the Spinoff Plan from which

that transfer was made and shall become with respect to such Transferred Employees and Transferred Beneficiaries responsible for all acts, omissions and transactions under or in connection with such Spinoff Plan, whether arising before or after the Closing; provided, however, that in the case of liabilities with respect to Camden Transferees, Newco shall only assume liabilities and shall only become responsible for all acts, omissions and transactions under or in connection with that Spinoff Plan arising on or after the Closing or disclosed in Section B.21 of the Disclosure Schedules.

(d) All transfers to the Narda Plan and the Newco Spinoff Plans shall be made in accordance with the provisions of this Section G.05(d). Within 30 days of the Closing Date, or if later, 20 days following the date on which Lockheed Martin has been provided evidence reasonably satisfactory to it that Newco has established a trust (or trusts) to hold the assets of the Narda Plan and the Newco Spinoff Plans and that the Newco Spinoff Plans are qualified under Section 401(a) of the Code and the trusts holding assets of the Newco Spinoff Plans or Narda Plan are tax exempt under Section 501(a) of the Code ("Initial Transfer Date"), Lockheed Martin shall cause its trusts to make an initial transfer of assets in cash equal to 85% of the amount estimated by Lockheed Martin in good faith to be equal to X (as defined below) with respect to each plan (using the same assumptions and methodologies consistent with estimates previously provided to Newco and as set forth in a schedule to be presented at Closing by Lockheed Martin) ("Initial Transfer Amount"). In addition, prior to the Initial Transfer Date Lockheed Martin shall provide Newco with evidence reasonably satisfactory to Newco that the appropriate Lockheed Martin Pension Plans remain qualified under Section 401(a) of the Code. As soon as practicable after the final determination of the amounts to be transferred ("True-Up Date"), Lockheed Martin shall cause a second transfer to be made in cash of the "True-Up Amount." The True-Up Amount shall be equal to the sum of the following amount with respect to the Narda Plan and each Spinoff Plan:

(X minus Initial Transfer Amount), minus benefit payments, adjusted for Earnings,

where X equals in the case of the Spinoff Plans, the Accrued Liability or the Section 4044 Amount, whichever is applicable, and in the case of the Narda Plan, the fair market value of the assets attributable to the Narda Plan at the end of the month in which the Closing Date occurs. Earnings shall be calculated (i) from the last day of the month following the Closing until the Initial Transfer Date on the amount equal to the Initial Transfer Amount using the rate paid on a 90-day Treasury Bill on the auction date coincident with or immediately preceding the Closing, (ii) from the Initial Transfer Date until the True-Up Date on an amount equal to X minus the sum of the Initial Transfer Amount and the benefit payments using (A) with respect to the period from the Closing Date to the last day of the month preceding the True-Up Date, the cumulative rate of return (considering both gain and loss) earned or lost on the assets of the trust from which the True-Up Amount is being transferred and (B) with respect to the period from the first day of the month in which the True-Up Date occurs and the True-Up Date the rate paid on a 90-Day Treasury Bill on the auction date coincident with or immediately preceding the first day of the month in which the True-Up Date occurs. If the Initial Transfer Amount exceeds X with respect to any plan, as soon as practicable following such determination Newco shall cause a transfer to be made to the respective Lockheed Martin Pension Plan equal to the difference between the Initial Transfer Amount and X, adjusted to reflect Earnings (i) from the last day of the month in which the Closing occurs until the Initial

Transfer Date using the rate paid on a 90-day Treasury Bill on the auction date coincident with or immediately preceding the Closing; (ii) from the Initial Transfer Date until the date of transfer, such Earnings shall be calculated using (A) with respect to the period from that Initial Transfer Date to the last day of the month preceding such transfer, the cumulative rate of return (considering both gain and loss) on the assets of the plan from which the transfer is being transferred and (B) with respect to the period from the first day of the month in which the transfer occurs and the date of such transfer, the rate paid on a 90-Day Treasury Bill on the auction date coincident with or immediately preceding the first day of the month in which the transfer occurs. The True-Up Amount shall be transferred in cash except benefits of Transferred Employees and Transferred Beneficiaries attributable to John Hancock Group Annuity Contract 8474 shall be transferred in kind. Unless the parties agree otherwise, all transfers will occur on the last business day of a month. Notwithstanding anything contained herein to the contrary, the transfers contemplated by this section G.05(d) shall be determined in accordance with Section 414(l) of the Code and Treasury Regulation 1.414(l)-1. The amounts to be transferred pursuant to this section G.05(d) shall be reduced to the extent necessary to satisfy Section 414(l) of the Code, and any regulations promulgated thereunder, ERISA Section 4044, and any regulations promulgated thereunder.

(e) For the purposes of this Section, the term "Accrued Liability" shall mean the present value of the accrued benefit of the Transferred Employee or Transferred Beneficiary, determined on a termination basis using the interest factors specified by the PBGC for an immediate or deferred annuity as appropriate for such Transferred Employee or Transferred Beneficiary and the other methods and factors specified in the regulations of the PBGC for the valuation of accrued benefits upon plan termination, including, but not limited to, expected retirement ages and expense load assumptions published by the PBGC, and the 1983 Group Annuity Mortality Table. The interest factors shall be those in effect on the Closing Date. The Accrued Liability and Section 4044 Amount shall be determined by an enrolled actuary designated by Lockheed Martin. Lockheed Martin shall provide any actuary designated by Newco with all information reasonably necessary to review the calculation of the Accrued Liability and the Section 4044 Amount in all material respects and to verify that such calculations have been performed in a manner consistent with the terms of this Agreement. If there is a good faith dispute between Lockheed Martin's actuary and Newco's actuary as to the amount to be transferred to any plan, and such dispute remains unresolved for 30 days, the chief financial officers of the respective companies shall endeavor to resolve the issue. Should such dispute remain unresolved for 60 days, Lockheed Martin and Newco shall select and appoint a third actuary who is mutually satisfactory to both of the parties hereto. The decision of such third party actuary shall be rendered within 30 days and shall be conclusive as to any dispute for which it was appointed. The cost of such third party actuary shall be divided equally between Lockheed Martin and Newco. Each party shall be responsible for the cost of its own actuary.

(f) Newco shall take all action necessary to qualify each Newco Spinoff Plan under the applicable provisions of the Code and Newco and Lockheed Martin shall cooperate to make any and all filings and submissions to the appropriate governmental agencies required to be made by Newco as are appropriate in effectuating the provisions hereof. The Newco Spinoff Plans and Assumed Plans and any successor plans thereto shall contain appropriate provisions providing that through the first year anniversary of the Closing

(fifth anniversary in the case of Lockheed Martin Retirement Income Plan II and Lockheed Martin Retirement Income Plan), each Newco Spinoff Plan shall provide for a benefit formula that is no less favorable than the formula provided in the corresponding Spinoff Plan at Closing. The Newco Spinoff Plans or Assumed Plans receiving a transfer from the Lockheed Martin Corporation Retirement Income Plan II and the Lockheed Martin Corporation Pension Plan for Employees in Participating Bargaining Units and any successor plans thereto shall contain appropriate provisions providing that (i) to the extent assets transferred are attributable to assets transferred from the GE Pension Plan or are governed by collective bargaining agreements, any such assets shall be held by trusts forming a part of such Newco Spinoff Plans (or successor plans) and shall be held for the exclusive benefit of the participants in such Newco Spinoff Plans (or successor plans) and such assets shall not upon termination of those Newco Spinoff Plans (or successor plans) revert to the employer or sponsor of such Newco Spinoff Plans (or successor plans); (ii) the accrued benefits as of the Closing of Transferred Employees under such plans may not be decreased by amendment or otherwise; and (iii) each Transferred Employee retiring under Newco Spinoff Plans (or successor plans) will be entitled to receive pension benefits no less than what would have been received under the GE Pension Plan as in effect as of April 5, 1993, taking into account the Transferred Employee's combined service with Newco, Lockheed Martin, GE, and RCA and each of their Affiliates.

(g) With respect to the (i) Lockheed Martin Tactical Systems, Inc. Supplemental Executive Retirement Plan ("LMTS SERP"); (ii) the Lockheed Martin Corporation Supplementary Pension Plan for Employees of Transferred GE Operations ("Supplementary Plan"), the Lockheed Martin Supplemental Executive Retirement Plan, the Lockheed Martin Supplemental Retirement Income Plan (the "Camden SERPs"); and (iii) the Supplemental Executive Retirement Plan for Certain Management Employees of Narda Microwave Corporation, and Lockheed Martin Fairchild Corporation Supplemental Benefit Plan, (the plans in (i), (ii), and (iii) collectively referred to as the "LMC SERPs"), Newco shall establish a nonqualified plan or plans (the "Newco SERP") for the benefit of Transferred Employees and Transferred Beneficiaries participating in the LMC SERPs as of the Closing Date and Newco shall assume all obligations and liabilities under the LMC SERPs, with respect to the Transferred Employees and the Transferred Beneficiaries. Effective as of the Closing Date, all Transferred Employees will cease to accrue benefits under the LMC SERPs. With respect to the Supplementary Plan, Newco will provide an equivalent plan for Transferred Employees and Transferred Beneficiaries eligible to participate in that plan as of the Closing Date that provides equivalent benefits during the entire term of their employment with Newco, its Affiliates and their successors. With respect to the LMC SERPs (other than the Supplementary Plan), Newco shall provide a substantially similar plan in accordance with the provisions of Section G.03(a). As soon as practicable (but not more than 180 days) after the Closing Date, Lockheed Martin shall cause its actuary to calculate the SERP Liability of all participants in the LMTS SERP and the Camden SERPS, respectively, and the SERP Liability for Transferred Employees and Transferred Beneficiaries in the LMTS and Camden SERPS respectively and shall cause the following transfers. As soon as practicable thereafter, but in no event later than the later of (i) the acceptance of the calculation of the SERP Liability by Newco or (ii) 20 days following submission to Lockheed Martin of evidence reasonably satisfactory to it that Newco has established a corresponding rabbi trust or trusts, Lockheed Martin shall cause a transfer of assets from the rabbi trust established in connection with the LMTS SERP ("LMTS Trust") to a rabbi trust established by Newco in an amount equal to the product of the (i) fair market

value of the assets of the LMTS Trust as of the last day of the month in which the Closing Date occurs; and (ii) a fraction, the numerator of which is the "SERP Liability" for Transferred Employees and Transferred Beneficiaries participating in the LMTS SERP and the denominator of which is the SERP Liability for all participants in the LMTS SERP. Lockheed Martin shall also cause a transfer of assets from the rabbi trust established in connection with the Camden SERPs ("Camden Trust") to a rabbi trust established by Newco in an amount equal to the product of the (i) fair market value of the assets of the Camden Trust as of the last day of the month in which the Closing Date occurs; and (ii) a fraction, the numerator of which is the "SERP Liability" for Transferred Employees and Transferred Beneficiaries participating in the Camden SERPs and the denominator of which is the SERP Liability for all participants in the Camden SERPs. The amount of the transfer shall be reduced by benefits paid by Lockheed Martin prior to the transfer. If the amount of the benefits paid exceeds the amount of the transfer, Newco shall promptly pay Lockheed Martin such excess. For the purpose of this section, the "SERP Liability" with respect to a participant shall be the lump sum present value (determined as of the end of the month in which the Closing Date occurs) of the accrued benefit of the participant under the applicable SERP calculated utilizing the assumptions used by Lockheed Martin for reporting accrued benefit obligations relative to Seller Pension Plans under FAS No. 87 in its 1996 Annual Report. The calculation of the amount to be transferred shall be subject to the review and dispute resolution procedures contained in subsection (e).

(h) No later than the True-Up Date, Lockheed Martin shall also cause the Lockheed Martin Federal Systems, Inc. Retirement Plan ("Federal Systems Plan") to make a transfer to a qualified defined benefit plan designated by Newco in an amount equal to the accrued benefit of the Transferred Employees who participated in the Federal Systems Plan immediately prior to the Closing. For the purposes of this section, the accrued benefit of the Transferred Employees shall mean the present value of the accrued benefit determined on a termination basis using the interest factors for an immediate or deferred annuity as appropriate for each such Transferred Employee. The assumptions used in determining the accrued benefit of each such Transferred Employee shall be the same as the assumptions used to determine Accrued Liability under Section G.05(e). The transfer shall be contingent upon Newco providing evidence reasonably satisfactory to Lockheed Martin that such designated plan is qualified under Section 401(a) of the Code and the trust of which it is a part is exempt from taxation under Section 501(a) of the Code. Lockheed Martin shall also provide to Newco evidence reasonably satisfactory to Newco that the Federal Systems Plan is qualified under Section 401(a) of the Code and the trust of which it is a part is exempt from taxation under Section 501(a) of the Code. Upon receipt of such transfer of assets, Newco shall assume all liabilities of Lockheed Martin and its Affiliates with respect to such Transferred Employees under the Federal Systems Plan and shall become with respect to such Transferred Employees responsible for all acts, obligations, omissions and transactions under or in connection with the Federal Systems Plan, whether arising before or after the Closing. Lockheed Martin shall cause the benefits accrued as of the Closing Date by any Transferred Employee or Transferred Beneficiary under the Lockheed Martin Retirement Plan for Certain Salaried Employees (the "Lockheed Plan") or any other defined benefit pension plan that is not listed in Schedule G.05(a) or this G.05(h) to be fully vested at the Closing Date and any such Transferred Employee or Transferred Beneficiary shall be eligible on the Closing Date to participate in the Newco defined benefit plans (the "Newco Plans") established for other Transferred

Employees or Transferred Beneficiaries who were formerly employed in the Communications Systems Business Unit (or such other plan as Newco designates in the case of Transferred Employees covered under any plan other than the Lockheed Plan). Newco shall credit such Transferred Employees and Transferred Beneficiaries with all service recognized under the Lockheed Plan or such other plans as the case may be. If the Transferred Employee participated in the plan for more than one year, Lockheed Martin shall credit such Transferred Employees and Transferred Beneficiaries with all service recognized under the Newco Plans for all purposes, other than benefit accrual and will recognize Newco compensation for calculating pensionable earnings under the Lockheed Plan or any other such plan which is a final average pay plan.

G.06. Savings Plan Obligations.

(a) Transferred Employees currently participate in the following defined contribution plans: (i) Lockheed Martin Defense Systems Savings and Investment Plan; (ii) Lockheed Martin Salaried Savings Plan; (iii) Lockheed Martin Salaried Savings Plan II; (iv) Lockheed Martin Performance Sharing Plan; (v) Lockheed Martin Supplemental Savings Plan; (vi) Conic Corporation Deferred Income Retirement Plan; (vii) Narda Microwave Supplemental Retirement Savings Plan; (viii) Narda Western Operations 401(k) Deferred Income Retirement Plan; (ix) Lockheed Martin Tactical Systems, Inc. Deferred Income Savings Plan; (x) Lockheed Martin Fairchild Corporation Savings Plan; (xi) Randtron Employees Retirement Savings Plan; (xii) Microcom Corporation 401(k) Plan; (xiii) Profit Sharing Plan and Trust of Lockheed Martin Hycor, Inc., (xiv) Lockheed Martin Tactical Systems Inc. Frequency Sources, Inc. 401(k) Retirement Plan and (xv) Lockheed Martin Federal Systems Deferred Income Retirement Plan (collectively, "Lockheed Martin Defined Contribution Plans"). The plans listed in (i), (vi), (vii), (viii), (ix), (xiv) and (xv) are all sub-plans in the Lockheed Martin Tactical Systems Master Savings Plan.

(b) Effective as of the Closing Date, Lockheed Martin and Newco shall cause (i) Randtron Employees Retirement Plan; (ii) Microcom Corporation 401K Plan; (iii) Profit Sharing Plan and Trust of Lockheed Martin Hycor, Inc. ("Transferred Savings Plans") to be amended to provide that sponsorship and maintenance thereof shall be transferred to Newco and Newco shall assume all of the obligations and liabilities of Lockheed Martin and its Affiliates with respect to each such Transferred Plan (including liabilities with respect to Transferred Beneficiaries) and contingent upon receipt of the transferred assets described in Section G.06(c), shall become responsible for all acts, omissions and transactions under or in connection with the Transferred Savings Plan, whether arising before or after Closing. Effective as of the Closing Date, Lockheed Martin and/or its Affiliates shall cease to sponsor, administer or contribute (other than contributions in respect of benefits accrued prior to the Effective Date) to the Transferred Savings Plans and thereby cease to be responsible for any acts, omissions and transactions under or in connection with any such Transferred Savings Plan.

(c) With respect to all Lockheed Martin Defined Contribution Plans except the Transferred Savings Plans described in Section G.06(b) (the "Lockheed Martin Savings Plans"), the Transferred Employees shall cease to accrue benefits and service credits under such plans as of the Closing Date and, effective as of the Closing Date, Newco shall establish new savings plans ("Newco's Savings Plans") and associated trusts to hold the assets of those plans for the Transferred Employees, to be effective as of the Closing

Date, and shall provide to Lockheed Martin evidence reasonably satisfactory to Lockheed Martin that Newco's Savings Plans and the associated trusts have been established and that the Newco's Savings Plans qualify under the requirements of Section 401(a) of the Code, and that the trusts are exempt from tax under Section 501(a) of the Code. Lockheed Martin shall provide to Newco evidence reasonably satisfactory to Newco that the Lockheed Martin Savings Plans remain qualified under the requirements of Section 401(a) of the Code. Provided Lockheed Martin and Newco have received evidence reasonably satisfactory to them in accordance with the preceding sentences, as soon as is reasonably practicable following the Closing Date, in no event later than 60 days following receipt of such mutually satisfactory evidence, Lockheed Martin shall take or cause to be taken all action required or appropriate to transfer the account balances of all Transferred Employees and Transferred Beneficiaries to the respective trusts associated with Newco's Savings Plans. Such transfers shall be made in cash in an amount equal to the value of the account balances to be transferred, determined as of the close of business on the last business day immediately preceding the transfer, except that (i) to the extent a participant's or beneficiary's account balance in the transferor plan includes one or more promissory notes evidencing a participant loan or loans, such promissory notes shall be transferred in kind for the participant's or beneficiary's credit under the transferee plan and (ii) any assets in the transferor trust consisting of securities issued by Lockheed Martin, Martin Marietta Materials, Inc. or Loral Space & Communications, Ltd. that are allocable to the respective transferee plan shall be transferred in kind. For the period from the Closing Date until the transfer, Newco shall collect by payroll deduction and promptly pay over to the respective Lockheed Martin Defined Contribution Plan all loan payments required on participant loans made by the respective plan to any Transferred Employee and Lockheed Martin shall cause the respective Lockheed Martin Defined Contribution Plan to administer and pay all distributions, withdrawals and loans payable under the terms of the respective plan to any Transferred Employee or Transferred Beneficiary until the transfer. Contingent upon the transfer of the account balances to each of Newco's Savings Plans, Newco shall assume all liabilities of Lockheed Martin and its affiliates with respect to Transferred Employees and Transferred Beneficiaries under the Lockheed Martin Defined Contribution Plan from which that transfer was made and shall become with respect to such Transferred Employees and Transferred Beneficiaries responsible for all acts, omissions and transactions under or in connection with such Lockheed Martin Defined Contribution Plan, whether arising before or after the Closing; provided, however, that in the case of liabilities with respect to Camden Transferees, Newco shall only assume liabilities and shall only become responsible for all acts, omissions and transactions under or in connection with that Lockheed Martin Defined Contribution Plan arising after the Closing or disclosed in Section B.21 of the Disclosure Schedules.

G.07. GE Special Benefits Protections. Pursuant to Section V.II of Exhibit V to a Transaction Agreement (the "GE Agreement") dated November 22, 1992, as amended, among GE, Martin Marietta Corporation, a Maryland corporation and Lockheed Martin, Lockheed Martin has agreed to reimburse GE (the "GE Reimbursement Obligations") for certain specified expenses relating to benefits for certain individuals who were formerly employed by GE and who became employees of Lockheed Martin or its Affiliates as a result of the transaction contemplated by the GE Agreement (the "Former GE Employees"). Newco shall assume, effective on the Closing Date, all of the GE Reimbursement Obligations in respect of Transferred Employees and Transferred Beneficiaries for such specified expenses, and shall indemnify and hold

harmless Lockheed Martin and its Affiliates from any and all such GE Reimbursement Obligations. Lockheed Martin shall provide Newco with copies of any documentation it receives from GE documenting the basis for such expenses.

G.08. Severance and Retention Agreements. In accordance with Section 6.9 of the Agreement and Plan of Merger dated as of January 7, 1996, by and among Loral Corporation, Lockheed Martin Corporation and LAC Acquisition Corporation, Lockheed Martin Tactical Systems, Inc. has adopted the Supplemental Severance Program. Lockheed Martin has entered into Key Employee Supplemental Severance Program and Key Executive Supplemental Severance Program agreements (the "Program Agreements"). In addition, Lockheed Martin has entered into Retention Agreements (collectively with the Supplemental Severance Program and the Program Agreements, the "Supplemental Agreements") with certain Transferred Employees who participate in the Supplemental Severance Program. Other than with respect to the Transferred Employees set forth on Section B.21 of the Disclosure Schedules, Newco assumes all obligations and liabilities of Lockheed Martin and its Affiliates under the Supplemental Agreements for all claims made after the Closing Date by Transferred Employees, including claims based on the Contemplated Transactions, which shall be Assumed Liabilities for purposes of this Agreement. All obligations and liabilities of Lockheed Martin with respect to the Transferred Employees on Section B.21 of the Disclosure Schedules and any other individual covered by a Supplemental Agreement who is not a Transferred Employee shall constitute Excluded Liabilities.

G.09. Vacation and Holidays. As of the Closing, Newco shall adopt at its expense, vacation and holiday plans for Transferred Employees to succeed Lockheed Martin's and its Affiliates' vacation and holiday plans. For the 12-month period beginning with the Closing Date, such plans shall provide for accrued vacation and holidays no less favorable than, and in substitution for, those Lockheed Martin and its Affiliates would have provided to such Transferred Employees had they remained employees of Lockheed Martin and its Affiliates, and Lockheed Martin and its Affiliates shall have no liability or obligation to pay or provide any vacation or holiday payments claimed on or after the Closing Date. Thereafter, such plans shall provide vacation, accrued vacation and holidays to each eligible Transferred Employee on the basis of his or her continuous service with Lockheed Martin, Newco and their Affiliates.

G.10. Other Employee Plans.

(a) Newco shall, as of the Closing Date, assume all obligations and liabilities of Lockheed Martin and its Affiliates in respect of Transferred Employees and Transferred Beneficiaries under the Deferred Management Incentive Compensation Plan.

(b) Newco shall, as of the Closing Date, assume all obligations and liabilities (including, without limitation, all obligations and liabilities attributable to the period prior to the Closing Date) of Lockheed Martin and its Affiliates in respect of Transferred Employees and Transferred Beneficiaries under each Employee Plan and Benefit Arrangement not covered under Sections G.05, G.06, G.07, G.08, G.09, G.10(a) and G.10(c) and shall be a successor employer with respect to such plans; provided, however, that with respect to obligations and liabilities to Camden Transferees arising from events occurring prior to the Closing Date, Newco shall assume such obligations and liabilities only to the extent that they (i) arise under a

Benefit Arrangement or Employee Plan disclosed in Section B.21 of the Disclosure Schedules; (ii) are reflected in the Final Net Tangible Asset Amount; or (iii) are incurred after the Effective Date.

(c) With respect to each Employee Plan and Benefit Arrangement (other than those referred to in Sections G.05, G.06, G.07, G.08, G.09 and G.10(a)), including any employment agreement, that covers only Transferred Employees and/or Transferred Beneficiaries ("Transferred Benefit Plans"), Lockheed Martin and Newco shall cause each Transferred Benefit Plan to be amended to provide that sponsorship and maintenance thereof shall be transferred as of the Closing Date to Newco and Newco shall assume all obligations and liabilities of Lockheed Martin and its Affiliates with respect to each such plan (including liabilities with respect to Transferred Beneficiaries), and shall become responsible for all acts, omissions and transactions under or in connection with the Transferred Benefit Plans, whether arising before or after Closing; provided, however, that with respect to obligations and liabilities to Camden Transferees under or otherwise arising in connection with an Employee Plan or Benefit Arrangement arising from events occurring prior to the Closing Date, Newco shall assume such obligations and liabilities only to the extent that they (i) arise under an Employee Plan or Benefit Arrangement disclosed in Section B.21 of the Disclosure Schedules; (ii) are reflected in the Final Net Tangible Asset Amount; or (iii) are incurred after the Closing Date. Effective as of the Closing Date, Lockheed Martin and/or its Affiliates shall cease to sponsor, administer or contribute to the Transferred Benefit Plans and thereby cease to be responsible for any acts, omissions and transactions under or in connection with any such Transferred Benefit Plan, whether occurring before or after Closing. Except as otherwise agreed to by the parties or as it relates solely to an Individual Purchaser, Lockheed Martin agrees to transfer any assets which are separately identifiable or attributable to the Employee Plans and Benefit Arrangements described in this Section G.10(c).

(d) As of the Closing Date, Transferred Employees and Transferred Beneficiaries shall cease to accrue or enjoy benefits under any Employee Plans and Benefit Arrangements (excluding those referred to in Sections G.05(b), G.06(b), G.07, G.08, G.09 and G.10(c)) and shall commence accrual of benefits and participation in those employee compensation and benefit plan and arrangements maintained by Newco pursuant to Section G.03.

(e) For any full or partial contract year or plan year prior to the Closing Date of any Employee Plan or Benefit Arrangement covering Transferred Employees or Transferred Beneficiaries (other than Camden Transferees): (i) Lockheed Martin agrees to carve out and transfer to the corresponding Newco plan, any surpluses, refunds or rebates received by or attributable to Lockheed Martin for any Employee Plan or Benefit Arrangement and (ii) Newco agrees to transfer to the corresponding Lockheed Martin Plan an amount equal to any deficit charged to or attributable to Lockheed Martin for any Employee Plan or Benefit Arrangement, in either case that is attributable to Transferred Employees and/or Transferred Beneficiaries.

(f) The flexible spending accounts established on behalf of the Transferred Employees and Transferred Beneficiaries in accordance with Section G.03(a) will be maintained through the end of the applicable plan year in which the Closing occurs in a manner that ensures that each Transferred Employee and Transferred Beneficiary receives no more and no less than he or she would have received had the Contemplated Transactions not occurred. Lockheed Martin and Newco shall coordinate management of their

respective flexible spending accounts to achieve this result. As soon as practicable following the close of the 1997 plan year, Lockheed Martin and Newco shall reconcile flexible spending account balances so as to achieve an equitable result as between Lockheed Martin and Newco.

G.11. Necessary Action. Newco and Lockheed Martin agree to take all action which may be necessary in order to effectuate the transactions contemplated by this Exhibit G, including, without limitation, adopting any necessary amendments to the Employee Plans and Benefit Arrangements and making all filings and submissions to the appropriate governmental agencies required to be made in connection with the segregation and/or transfer of assets contemplated by Sections G.05 and G.06.

G.12. Third Party Beneficiaries. No provision of this Exhibit G shall create any third party beneficiary rights in any employee or former employee of the Business (including any beneficiary or dependent thereof) including, without limitation, any right to continued employment or employment in any particular position by Newco for any specified period of time after the Closing Date.

G.13. Plan Administration. Newco shall prepare and file all Forms 5500 and other government reports or returns that are required to be filed after the Closing Date with respect to each of the Assumed Plans described in Section G.05(b), the Transferred Savings Plans described in Section G.06(b) and the Transferred Benefit Plans described in Section G.10(c).

G.14. Mutual Assistance. At all times after the Closing Date, Newco and Lockheed Martin agree to make reasonably available to each other and each other's agents, employees, accountants and other representatives such actuarial, financial, personnel and related information as may be requested with respect to any Employee Plan or Benefit Arrangement, Transferred Employee or Transferred Beneficiary, including but not limited to benefit records, compensation and employment histories, policies, interpretations and other records relating to the Employee Plans and Benefit Arrangements.

G.15. Flanigan v. G.E. Newco shall not by reason of the transactions contemplated by this Agreement or otherwise be deemed to have assumed any liability or obligation with respect to any claim or cause of action asserted against GE or Lockheed Martin in the lawsuit Flanigan v. G.E. filed in the federal district court in Connecticut in March, 1993. All such claims and causes of action shall constitute Excluded Liabilities for purposes of this Agreement. Nothing in this Section G.15. or elsewhere, however, shall be deemed to require Lockheed Martin to indemnify or otherwise to relieve Newco of any liability or obligation it may incur as a result of a purported claim or purported cause of action asserted against Newco which is based on this Agreement, the Contemplated Transactions, or any actions or transactions that occur on or after the date of this Agreement.

AMENDMENT NO. 1

Dated as of April 11, 1997

to

TRANSACTION AGREEMENT

Dated as of March 28, 1997

By and Among

LOCKHEED MARTIN CORPORATION

LEHMAN BROTHERS CAPITAL PARTNERS III, L.P.

FRANK C. LANZA

ROBERT V. LAPENTA

and

L-3 COMMUNICATIONS HOLDINGS, INC.

AMENDMENT NO. 1 TO TRANSACTION AGREEMENT

This Amendment No. 1 to Transaction Agreement (the "Amendment") is made as of the 11th day of April, 1997, by and among Lockheed Martin Corporation, a Maryland corporation ("Lockheed Martin"), Lehman Brothers Capital Partners III, L.P., a Delaware limited partnership ("Lehman"), Frank C. Lanza ("Lanza"), Robert V. LaPenta ("LaPenta"; and together with Lanza, the "Individual Purchasers") and L-3 Communications Holdings, Inc., a Delaware corporation ("Newco"). For purposes of this Amendment, Lehman, Lanza and LaPenta each are individually referred to as a "Purchaser" and collectively referred to as the "Purchasers."

W I T N E S S E T H:

WHEREAS, Lockheed Martin, in its own right and through certain of its direct and indirect Subsidiaries is engaged in the Business;

WHEREAS, Lockheed Martin and the Purchasers, upon the terms and subject to the conditions of the Agreement have agreed to the formation and organization of Newco;

WHEREAS, upon the terms and subject to the conditions of the Agreement, Lockheed Martin has agreed to transfer, or to cause the Affiliated Transferors to transfer, substantially all of the assets held or owned by, or used to conduct, the Business and to assign certain liabilities associated with the Business to Newco, and Newco has agreed to receive such assets and assume such liabilities; and

WHEREAS, Lockheed Martin, Newco and the Purchasers desire to amend the Agreement in accordance with the terms of this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, the parties agree as follows:

Section 1. Capitalized terms used but not defined herein have the meanings given to them in the Transaction Agreement dated as of March 28, 1997, by and among Lockheed Martin, Newco and the Purchasers.

Section 2. Section 15.13(a) of the Agreement is amended by deleting the reference to "April 14, 1997" in the second sentence of Section 15.13(a) and inserting in its place and stead "April 17, 1997."

Section 3. Section 15.13(c) of the Agreement is amended by deleting the references to "April 11, 1997" in each of the last two sentences of Section 15.13(c) and inserting in its place and stead "April 18, 1997."

IN WITNESS WHEREOF, the parties hereto caused this Amendment to be duly executed by their respective authorized officers on the day and year first above written.

WITNESS:

LOCKHEED MARTIN CORPORATION

_____

By:_____
Name:
Title:

LEHMAN BROTHERS CAPITAL
PARTNERS III, L.P.

By: LEHMAN BROTHERS HOLDINGS INC.,
its General Partner

_____

By:_____
Name:
Title:

FRANK C. LANZA

_____

_____

ROBERT V. LAPENTA

_____

_____

L-3 COMMUNICATIONS HOLDINGS, INC.

_____

By:_____
Name:
Title:

- ---

AMENDMENT NO. 2

Dated as of April 30, 1997

to

TRANSACTION AGREEMENT

Dated as of March 28, 1997

By and Among

LOCKHEED MARTIN CORPORATION

LEHMAN BROTHERS CAPITAL PARTNERS III, L.P.

FRANK C. LANZA

ROBERT V. LAPENTA

and

L-3 COMMUNICATIONS HOLDINGS, INC.

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AMENDMENT NO. 2 TO TRANSACTION AGREEMENT

This Amendment No. 2 to Transaction Agreement (the "Amendment") is made as of the 30th day of April, 1997, by and among Lockheed Martin Corporation, a Maryland corporation ("Lockheed Martin"), Lehman Brothers Capital Partners III, L.P., a Delaware limited partnership ("Lehman"), Frank C. Lanza ("Lanza"), Robert V. LaPenta ("LaPenta"; and together with Lanza, the "Individual Purchasers") and L-3 Communications Holdings, Inc., a Delaware corporation ("Newco"). For purposes of this Amendment, Lehman, Lanza and LaPenta each are individually referred to as a "Purchaser" and collectively referred to as the "Purchasers."

W I T N E S S E T H:

WHEREAS, Lockheed Martin, in its own right and through certain of its direct and indirect Subsidiaries is engaged in the Business;

WHEREAS, Lockheed Martin and the Purchasers, upon the terms and subject to the conditions of the Agreement have agreed to the formation and organization of Newco;

WHEREAS, upon the terms and subject to the conditions of the Agreement, Lockheed Martin has agreed to transfer, or to cause the Affiliated Transferors to transfer, substantially all of the assets held or owned by, or used to conduct, the Business and to assign certain liabilities associated with the Business to Newco, and Newco has agreed to receive such assets and assume such liabilities; and

WHEREAS, Lockheed Martin, Newco and the Purchasers desire to amend the Agreement in accordance with the terms of this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, the parties agree as follows:

Section 1. Capitalized terms used but not defined herein have the meanings given to them in the Transaction Agreement dated as of March 28, 1997, by and among Lockheed Martin, Newco and the Purchasers, as amended by Amendment No. 1 to Transaction Agreement dated as of April 11, 1997 (as amended, the "Agreement").

Section 2. The list of Attachments set forth in the index to the Agreement is revised by amending the description of Attachment XI to read as follows: "Other Transferred Employees".

Section 3. Section 2.04(i) of the Agreement is amended by deleting the references to "$269,118,000" in the first parenthetical of that Section and inserting in their place and stead "$272,618,000".

Section 4. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment IV shall be as set forth in Exhibit A to this Amendment.

Section 5. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment V shall be as set forth in Exhibit B to this Amendment.

Section 6. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment VIII shall be as set forth in Exhibit C to this Amendment.

Section 7. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment IX shall be as set forth in Exhibit D to this Amendment.

Section 8. Notwithstanding the provisions of Section 15.13(b) of the Agreement, for purposes of the Agreement, Attachment X shall as set forth in Exhibit E to this Amendment.

Section 9. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment XI shall be as set forth in Exhibit F to the Amendment.

Section 10. For purposes of the Agreement, Attachment XIV shall be as set forth in Exhibit G to this Amendment.

Section 11. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment XV shall be as set forth in Exhibit H to this Amendment.

Section 12. The Disclosure Schedules attached to this Amendment as Exhibit I are, and for all purposes shall be, the Disclosure Schedules referenced in the Agreement.

Section 13. Section 7.04 of the Agreement is amended by deleting the reference to "Attachment XI" in the second parenthetical of the first sentence and inserting in its place and stead the phrase "writing by Lockheed Martin and Newco on or prior to the Closing Date".

Section 14. Section 8.04 of the Agreement is amended by deleting the reference to "Attachment XI" in the second parenthetical of the first sentence and inserting in its place and stead the phrase "writing by Lockheed Martin and Newco on or prior to the Closing Date".

Section 15. Section 13.02(b) of the Agreement is amended by deleting the word "or" before the beginning of clause (v); inserting the phrase ", or (vi) the Universal Litigation" after clause (v) and before the semicolon; deleting the word "and" before "(v)" in the proviso; and inserting the phrase "and (vi)" after "(v)" in the proviso.

Section 16. Section 13.04(b)(iii) of the Agreement is amended by deleting the word "and" after the semicolon.

Section 17. Section 13.04(b)(iv) of the Agreement is amended by deleting the period at the end and inserting in its place and stead the phrase "; and".

Section 18. Section 13.04(b) of the Agreement is amended by adding a new clause (v) as follows:

> "(v) with respect to the matter described in clause (vi) of Section 13.02(b) (after giving effect to the proviso thereto), to the extent of 50% of the aggregate Damages incurred by all Indemnified Parties as the result thereof in

excess of the Reserve Amount but not in excess of the Reserve Amount plus $1,000,000 (it being understood that Lockheed Martin's maximum liability under Section 13.02(b)(vi) and this Section 13.04(b)(v) shall be $500,000)."

Section 19. Section 15.01 of the Agreement is amended to change the notice address for notices to Newco to the following:

"L-3 Communications Holdings, Inc.
600 Third Avenue
New York, New York 10016
Attention: Robert V. LaPenta
Telecopy: (212) 805-5470"

Section 20. Section (a) of Exhibit A to the Agreement is amended by adding the following after the definition of "Prime Government Contract" and before the definition of "Remedial Action(s)":

""Reserve Amount" means the amount referenced in the letter from Lockheed Martin to Newco dated as of the Closing Date making specific reference to the Agreement and this definition.

Section 21. Section (a) of Exhibit A to the Agreement is amended by adding the following after the definition of "Transferred Assets" and before the definition of "U.S. Government":

""Universal Litigation" means the matter titled Universal Navigation Corporation, a California corporation; and Microcomputer Electronics Corporation, a Washington corporation v. Loral Corporation, a New York corporation; and Loral Fairchild Corp., a Delaware corporation (CIV93-743TUC WDB) pending in the United States District Court for the District of Arizona."

Section 22. Clause (ii) of the definition of "Transferred Employee" in Section G.01 of Exhibit G to the Agreement is amended by deleting the existing provision in its entirety and inserting in its place and stead the following:

"(ii) was laid off from the Business and has recall rights with respect to the Business other than any Person with such rights who is either employed by Lockheed Martin on the Closing Date (other than in the Business) or who has recall rights at another Lockheed Martin facility, or"

Section 23. Section G.08 of Exhibit G to the Agreement is amended by deleting the existing provision in its entirety and inserting in its place and stead the following:

"G.08. Severance and Retention Agreements. In accordance with Section 6.9 of the Agreement and Plan of Merger dated as of January 7, 1996, by and among Loral Corporation, Lockheed Martin Corporation and LAC Acquisition Corporation, Lockheed Martin Tactical Systems, Inc. has adopted the Supplemental Severance Program. Lockheed Martin has entered into Key Employee Supplemental Severance Program and Key Executive Supplemental Severance Program agreements (the "Program Agreements"). In addition, Lockheed Martin has entered into Retention Agreements (collectively with the Supplemental Severance Program and the Program Agreements, the "Supplemental Agreements") with certain Transferred Employees who participate in the Supplemental Severance Program. Lockheed Martin also sponsors the Lockheed Martin Tactical Systems Severance Plan (the "Tactical Severance Plan"), the Severance Benefit Plan for Employees of Lockheed Martin Corporation (the "LMC Severance Plan") and the Special Supplemental Severance Program relating to the retention (as set forth in a memorandum from Steve Jackson dated October 28, 1996 of C3I and Systems Integration Sector administrative personnel (collectively with the Supplemental Agreements, the Tactical Severance Plan and the LMC Severance Plan, the "Severance Arrangements"). Other than with respect to the Transferred Employees set forth on Section B.21 of the Disclosure Schedules, Newco assumes all obligations and liabilities of Lockheed Martin and its Affiliates under the Severance Arrangements and any other severance benefit obligation (collectively with the Severance Arrangements, the "Severance Obligations") whether oral or written, for all claims made after the Closing Date by Transferred Employees, including claims based on the Contemplated Transactions, which shall be Assumed Liabilities for purposes of this Agreement. All obligations and Liabilities of Lockheed Martin with respect to any Severance Obligation for the Transferred Employees on Section B.21 of the Disclosure Schedules and any other individual covered by a Supplemental Agreement under any Severance Obligation who is not a Transferred Employee shall constitute Excluded Liabilities."

IN WITNESS WHEREOF, the parties hereto caused this Amendment to be duly executed by their respective authorized officers on the day and year first above written.

LOCKHEED MARTIN CORPORATION

By:_____
Name:
Title:

LEHMAN BROTHERS CAPITAL
PARTNERS III, L.P.

By: LEHMAN BROTHERS HOLDINGS INC.,
its General Partner

By:_____
Name:
Title:

FRANK C. LANZA

_____

ROBERT V. LAPENTA

_____

L-3 COMMUNICATIONS HOLDINGS, INC.

By:_____
Name:
Title:

AMENDMENT NO. 3

Dated as of May 21, 1997

to

TRANSACTION AGREEMENT

Dated as of March 28, 1997

By and Among

LOCKHEED MARTIN CORPORATION

LEHMAN BROTHERS CAPITAL PARTNERS III, L.P.

LEHMAN BROTHERS HOLDINGS INC.

FRANK C. LANZA

ROBERT V. LAPENTA

L-3 COMMUNICATIONS HOLDINGS, INC.

and

L-3 COMMUNICATIONS CORPORATION

AMENDMENT NO. 3 TO TRANSACTION AGREEMENT

This Amendment No. 3 to Transaction Agreement (the "Amendment") is made as of the 15th day of May, 1997, by and among Lockheed Martin Corporation, a Maryland corporation ("Lockheed Martin"), Lehman Brothers Capital Partners III, L.P., a Delaware limited partnership, Lehman Brothers Holdings Inc., a Delaware corporation (together with Lehman Brothers Capital Partners III, L.P., "Lehman"), Frank C. Lanza ("Lanza"), Robert V. LaPenta ("LaPenta"; and together with Lanza, the "Individual Purchasers"), L-3 Communications Holdings, Inc., a Delaware corporation ("Newco"), and L-3 Communications Corporation, a Delaware corporation. For purposes of this Amendment, Lehman, Lanza and LaPenta each are individually referred to as a "Purchaser" and collectively referred to as the "Purchasers."

W I T N E S S E T H

WHEREAS, Lockheed Martin, in its own right and through certain of its direct and indirect Subsidiaries previously was engaged in the Business;

WHEREAS, Lockheed Martin and the Purchasers, upon the terms and subject to the conditions of the Agreement have formed and organized Newco;

WHEREAS, upon the terms and subject to the conditions of the Agreement, Lockheed Martin has transferred or caused the Affiliated Transferors to transfer, substantially all of the assets held or owned by, or used to conduct, the Business and to assign certain liabilities associated with the Business to Newco, and Newco has received such assets and assumed such liabilities;

WHEREAS, Lehman Brothers Capital Partners III L.P. has assigned certain of its rights and obligations under the Agreement to Lehman Brothers Holdings Inc., and Newco has assigned certain of its rights and obligations under the Agreement to L-3 Communications Corporation, a Delaware corporation and wholly owned subsidiary of Newco; and

WHEREAS, Lockheed Martin, Newco and the Purchasers desire to amend the Agreement in accordance with the terms of this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, the parties agree as follows:

Section 1. Capitalized terms used but not defined herein have the meanings given to them in the Transaction Agreement dated as of March 28, 1997, by and among Lockheed Martin, Newco and the Purchasers, as amended by Amendment No. 1 to Transaction Agreement dated as of April 11, 1997, and by Amendment No. 2 to the Transaction Agreement dated as of April 30, 1997 (as amended, the "Agreement").

Section 2. Section G.06(c) of the Transaction Agreement shall be amended to read as follows:

> With respect to all Lockheed Martin Defined Contribution Plans except the Transferred Savings Plans described in Section G.06(b) (the "Lockheed Martin Savings Plans"), the Transferred Employees shall cease to accrue benefits and service credits under such plans as of the Closing Date and, effective as of

the Closing Date, Newco shall establish new savings plans ("Newco's Savings Plans") and associated trusts to hold the assets of those plans for the Transferred Employees, to be effective as of the Closing Date, and shall provide to Lockheed Martin evidence reasonably satisfactory to Lockheed Martin that Newco's Savings Plans and the associated trusts have been established and that Newco's Savings Plans qualify under the requirements of Section 401(a) of the Code, and that the trusts are exempt from tax under Section 501(a) of the Code. Lockheed Martin shall provide to Newco evidence reasonably satisfactory to Newco that the Lockheed Martin Savings Plans remain qualified under the requirements of Section 401(a) of the Code. Provided Lockheed Martin and Newco have received evidence reasonably satisfactory to them in accordance with the preceding sentences, as soon as is reasonably practicable following the Closing Date, but in no event later than 60 days following receipt of such mutually satisfactory evidence, (i) Lockheed Martin shall take all action required or appropriate to transfer the account balances of all Transferred Employees and Transferred Beneficiaries (other than account balances in the Lockheed Martin Savings Plan, Lockheed Martin Savings Plan II and Lockheed Martin Performance Sharing Plan, collectively the "Camden Plans") to the respective trust associated with Newco's Savings Plans; and (ii) with respect to account balances in the Camden Plans, Lockheed Martin shall amend the Camden Plans, to the extent permitted by Section 401(k)(10) of the Code, to permit each Transferred Employee or Transferred Beneficiary with an account balance in the Camden Plans during the period between the Closing and the end of the second calendar year following the Closing, to (x) receive a distribution from the Camden Plans; (y) make a direct rollover in accordance with Section 401(a)(31) of the Code; or (z) leave his or her account balances in the Camden Plans. Transfers shall be made in the form of cash in an amount equal to the value of the account balances to be transferred, determined as of the close of business on the last business day immediately preceding the transfer, except that (i) to the extent a participant's or beneficiary's account balance in the transferor plan includes one or more promissory notes evidencing a participant loan or loans, such promissory note shall be transferred in kind for the participant's or beneficiary's credit under the transferee plan and (ii) any assets in the transferor trust consisting of securities issued by Lockheed Martin, Martin Marietta Materials, Inc. and Loral Space & Communications, Ltd. that are allocable to the respective transferee plan shall be transferred in kind. Amounts distributed or rolled over from the Camden Plans shall be payable in cash only. For the period from the Closing Date until such time as the Transferred Employee or Transferred Beneficiary no longer has an account balance in any Lockheed Martin Defined Contribution Plan, Newco shall collect by payroll deduction and promptly pay over to the respective Lockheed Martin Defined Contribution Plan all loan payments required on participant loans made by the respective plan to any Transferred Employee and Lockheed Martin shall cause the respective Lockheed Martin Defined Contribution Plan to

administer and pay all distributions, withdrawals and loans payable under the terms of the respective plan. Contingent upon the transfer of an account balance to each of Newco's Savings Plans, Newco shall assume all liabilities of Lockheed Martin and its affiliates with respect to that Transferred Employee or Transferred Beneficiary under the Lockheed Martin Defined Contribution Plan from which that transfer was made and shall become with respect to such Transferred Employee and Transferred Beneficiary responsible for all acts, omissions and transactions under or in connection with such Lockheed Martin Defined Contribution Plan, whether arising before or after the Closing; provided, however, that in the case of any liabilities with respect to Camden Transferees (other than Camden Transferrees for whom no such transfer was made), Newco shall only assume liabilities and shall only become responsible for all acts, omissions and transactions under or in connection with that Lockheed Martin Defined Contribution Plan arising after the Closing or disclosed in Section B.21 of the Disclosure Schedules."

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers on the day and year first above written.

WITNESS:

LOCKHEED MARTIN CORPORATION

_____

By: _____
Name: Marian S. Block
Title: Associate General Counsel

LEHMAN BROTHERS CAPITAL PARTNERS III, L.P.

By: LEHMAN BROTHERS HOLDINGS INC., its General Partner

_____

By: _____
Name: Robert B. Millard
Title: Managing Director

LEHMAN BROTHERS HOLDINGS INC.

_____

By: _____
Name: Steven J. Berger
Title: Managing Director

L-3 COMMUNICATIONS HOLDINGS, INC.

_____

By: _____
Name: Michael T. Strianese
Title: VP Finance and Controller

FRANK C. LANZA

_____ _____

ROBERT V. LAPENTA

_____ _____

L-3 COMMUNICATIONS CORPORATION

_____ By: _____
Name: Michael T. Strianese
Title: VP Finance and
Controller

AMENDMENT NO. 1

Dated as of April 11, 1997

to

TRANSACTION AGREEMENT

Dated as of March 28, 1997

By and Among

LOCKHEED MARTIN CORPORATION

LEHMAN BROTHERS CAPITAL PARTNERS III, L.P.

FRANK C. LANZA

ROBERT V. LAPENTA

and

L-3 COMMUNICATIONS HOLDINGS, INC.

AMENDMENT NO. 1 TO TRANSACTION AGREEMENT

This Amendment No. 1 to Transaction Agreement (the "Amendment") is made as of the 11th day of April, 1997, by and among Lockheed Martin Corporation, a Maryland corporation ("Lockheed Martin"), Lehman Brothers Capital Partners III, L.P., a Delaware limited partnership ("Lehman"), Frank C. Lanza ("Lanza"), Robert V. LaPenta ("LaPenta"; and together with Lanza, the "Individual Purchasers") and L-3 Communications Holdings, Inc., a Delaware corporation ("Newco"). For purposes of this Amendment, Lehman, Lanza and LaPenta each are individually referred to as a "Purchaser" and collectively referred to as the "Purchasers."

W I T N E S S E T H:

WHEREAS, Lockheed Martin, in its own right and through certain of its direct and indirect Subsidiaries is engaged in the Business;

WHEREAS, Lockheed Martin and the Purchasers, upon the terms and subject to the conditions of the Agreement have agreed to the formation and organization of Newco;

WHEREAS, upon the terms and subject to the conditions of the Agreement, Lockheed Martin has agreed to transfer, or to cause the Affiliated Transferors to transfer, substantially all of the assets held or owned by, or used to conduct, the Business and to assign certain liabilities associated with the Business to Newco, and Newco has agreed to receive such assets and assume such liabilities; and

WHEREAS, Lockheed Martin, Newco and the Purchasers desire to amend the Agreement in accordance with the terms of this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, the parties agree as follows:

Section 1. Capitalized terms used but not defined herein have the meanings given to them in the Transaction Agreement dated as of March 28, 1997, by and among Lockheed Martin, Newco and the Purchasers.

Section 2. Section 15.13(a) of the Agreement is amended by deleting the reference to "April 14, 1997" in the second sentence of Section 15.13(a) and inserting in its place and stead "April 17, 1997."

Section 3. Section 15.13(c) of the Agreement is amended by deleting the references to "April 11, 1997" in each of the last two sentences of Section 15.13(c) and inserting in its place and stead "April 18, 1997."

IN WITNESS WHEREOF, the parties hereto caused this Amendment to be duly executed by their respective authorized officers on the day and year first above written.

WITNESS:

LOCKHEED MARTIN CORPORATION

_____ By:_____
Name:
Title:

LEHMAN BROTHERS CAPITAL
PARTNERS III, L.P.

By: LEHMAN BROTHERS HOLDINGS INC.,
its General Partner

_____ By:_____
Name:
Title:

FRANK C. LANZA

_____ _____

ROBERT V. LAPENTA

_____ _____

L-3 COMMUNICATIONS HOLDINGS, INC.

_____ By:_____
Name:
Title:

AMENDMENT NO. 2 TO TRANSACTION AGREEMENT

This Amendment No. 2 to Transaction Agreement (the "Amendment") is made as of the 30th day of April, 1997, by and among Lockheed Martin Corporation, a Maryland corporation ("Lockheed Martin"), Lehman Brothers Capital Partners III, L.P., a Delaware limited partnership ("Lehman"), Frank C. Lanza ("Lanza"), Robert V. LaPenta ("LaPenta"; and together with Lanza, the "Individual Purchasers") and L-3 Communications Holdings, Inc., a Delaware corporation ("Newco"). For purposes of this Amendment, Lehman, Lanza and LaPenta each are individually referred to as a "Purchaser" and collectively referred to as the "Purchasers."

W I T N E S S E T H:

WHEREAS, Lockheed Martin, in its own right and through certain of its direct and indirect Subsidiaries is engaged in the Business;

WHEREAS, Lockheed Martin and the Purchasers, upon the terms and subject to the conditions of the Agreement have agreed to the formation and organization of Newco;

WHEREAS, upon the terms and subject to the conditions of the Agreement, Lockheed Martin has agreed to transfer, or to cause the Affiliated Transferors to transfer, substantially all of the assets held or owned by, or used to conduct, the Business and to assign certain liabilities associated with the Business to Newco, and Newco has agreed to receive such assets and assume such liabilities; and

WHEREAS, Lockheed Martin, Newco and the Purchasers desire to amend the Agreement in accordance with the terms of this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, the parties agree as follows:

Section 1. Capitalized terms used but not defined herein have the meanings given to them in the Transaction Agreement dated as of March 28, 1997, by and among Lockheed Martin, Newco and the Purchasers, as amended by Amendment No. 1 to Transaction Agreement dated as of April 11, 1997 (as amended, the "Agreement").

Section 2. The list of Attachments set forth in the index to the Agreement is revised by amending the description of Attachment XI to read as follows: "Other Transferred Employees".

Section 3. Section 2.04(i) of the Agreement is amended by deleting the references to "$269,118,000" in the first parenthetical of that Section and inserting in their place and stead "$272,618,000".

Section 4. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment IV shall be as set forth in Exhibit A to this Amendment.

Section 5. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment V shall be as set forth in Exhibit B to this Amendment.

Section 6. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment VIII shall be as set forth in Exhibit C to this Amendment.

Section 7. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment IX shall be as set forth in Exhibit D to this Amendment.

Section 8. Notwithstanding the provisions of Section 15.13(b) of the Agreement, for purposes of the Agreement, Attachment X shall as set forth in Exhibit E to this Amendment.

Section 9. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment XI shall be as set forth in Exhibit F to the Amendment.

Section 10. For purposes of the Agreement, Attachment XIV shall be as set forth in Exhibit G to this Amendment.

Section 11. Notwithstanding the provisions of Section 15.13(c) of the Agreement, for purposes of the Agreement, Attachment XV shall be as set forth in Exhibit H to this Amendment.

Section 12. The Disclosure Schedules attached to this Amendment as Exhibit I are, and for all purposes shall be, the Disclosure Schedules referenced in the Agreement.

Section 13. Section 7.04 of the Agreement is amended by deleting the reference to "Attachment XI" in the second parenthetical of the first sentence and inserting in its place and stead the phrase "writing by Lockheed Martin and Newco on or prior to the Closing Date".

Section 14. Section 8.04 of the Agreement is amended by deleting the reference to "Attachment XI" in the second parenthetical of the first sentence and inserting in its place and stead the phrase "writing by Lockheed Martin and Newco on or prior to the Closing Date".

Section 15. Section 13.02(b) of the Agreement is amended by deleting the word "or" before the beginning of clause (v); inserting the phrase ", or

(vi) the Universal Litigation" after clause (v) and before the semicolon; deleting the word "and" before "(v)" in the proviso; and inserting the phrase "and (vi)" after "(v)" in the proviso.

Section 16. Section 13.04(b)(iii) of the Agreement is amended by deleting the word "and" after the semicolon.

Section 17. Section 13.04(b)(iv) of the Agreement is amended by deleting the period at the end and inserting in its place and stead the phrase "; and".

Section 18. Section 13.04(b) of the Agreement is amended by adding a new clause (v) as follows:

> "(v) with respect to the matter described in clause (vi) of Section 13.02(b) (after giving effect to the proviso thereto), to the extent of 50% of the aggregate Damages incurred by all Indemnified Parties as the result thereof in

excess of the Reserve Amount but not in excess of the Reserve Amount plus $1,000,000 (it being understood that Lockheed Martin's maximum liability under Section 13.02(b)(vi) and this Section 13.04(b)(v) shall be $500,000)."

Section 19. Section 15.01 of the Agreement is amended to change the notice address for notices to Newco to the following:

"L-3 Communications Holdings, Inc.
600 Third Avenue
New York, New York 10016
Attention: Robert V. LaPenta
Telecopy: (212) 805-5470"

Section 20. Section (a) of Exhibit A to the Agreement is amended by adding the following after the definition of "Prime Government Contract" and before the definition of "Remedial Action(s)":

""Reserve Amount" means the amount referenced in the letter from Lockheed Martin to Newco dated as of the Closing Date making specific reference to the Agreement and this definition.

Section 21. Section (a) of Exhibit A to the Agreement is amended by adding the following after the definition of "Transferred Assets" and before the definition of "U.S. Government":

""Universal Litigation" means the matter titled Universal Navigation Corporation, a California corporation; and Microcomputer Electronics Corporation, a Washington corporation v. Loral Corporation, a New York corporation; and Loral Fairchild Corp., a Delaware corporation (CIV93-743TUC WDB) pending in the United States District Court for the District of Arizona."

Section 22. Clause (ii) of the definition of "Transferred Employee" in Section G.01 of Exhibit G to the Agreement is amended by deleting the existing provision in its entirety and inserting in its place and stead the following:

"(ii) was laid off from the Business and has recall rights with respect to the Business other than any Person with such rights who is either employed by Lockheed Martin on the Closing Date (other than in the Business) or who has recall rights at another Lockheed Martin facility, or"

Section 23. Section G.08 of Exhibit G to the Agreement is amended by deleting the existing provision in its entirety and inserting in its place and stead the following:

"G.08. Severance and Retention Agreements. In accordance with Section 6.9 of the Agreement and Plan of Merger dated as of January 7, 1996, by and among Loral Corporation, Lockheed Martin Corporation and LAC Acquisition Corporation, Lockheed Martin Tactical Systems, Inc. has adopted the Supplemental Severance Program. Lockheed Martin has entered into Key Employee Supplemental Severance Program and Key Executive Supplemental Severance Program agreements (the "Program Agreements"). In addition, Lockheed Martin has entered into Retention Agreements (collectively with the Supplemental Severance Program and the Program Agreements, the "Supplemental Agreements") with certain Transferred Employees who participate in the Supplemental Severance Program. Lockheed Martin also sponsors the Lockheed Martin Tactical Systems Severance Plan (the "Tactical Severance Plan"), the Severance Benefit Plan for Employees of Lockheed Martin Corporation (the "LMC Severance Plan") and the Special Supplemental Severance Program relating to the retention (as set forth in a memorandum from Steve Jackson dated October 28, 1996 of C3I and Systems Integration Sector administrative personnel (collectively with the Supplemental Agreements, the Tactical Severance Plan and the LMC Severance Plan, the "Severance Arrangements"). Other than with respect to the Transferred Employees set forth on Section B.21 of the Disclosure Schedules, Newco assumes all obligations and liabilities of Lockheed Martin and its Affiliates under the Severance Arrangements and any other severance benefit obligation (collectively with the Severance Arrangements, the "Severance Obligations") whether oral or written, for all claims made after the Closing Date by Transferred Employees, including claims based on the Contemplated Transactions, which shall be Assumed Liabilities for purposes of this Agreement. All obligations and Liabilities of Lockheed Martin with respect to any Severance Obligation for the Transferred Employees on Section B.21 of the Disclosure Schedules and any other individual covered by a Supplemental Agreement under any Severance Obligation who is not a Transferred Employee shall constitute Excluded Liabilities."

IN WITNESS WHEREOF, the parties hereto caused this Amendment to be duly executed by their respective authorized officers on the day and year first above written.

LOCKHEED MARTIN CORPORATION

By:_____
Name:
Title:

LEHMAN BROTHERS CAPITAL
PARTNERS III, L.P.

By: LEHMAN BROTHERS HOLDINGS INC.,
its General Partner

By:_____
Name:
Title:

FRANK C. LANZA

_____

ROBERT V. LAPENTA

_____

L-3 COMMUNICATIONS HOLDINGS, INC.

By:_____
Name:
Title:

AMENDMENT NO. 2

Dated as of April 30, 1997

to

TRANSACTION AGREEMENT

Dated as of March 28, 1997

By and Among

LOCKHEED MARTIN CORPORATION

LEHMAN BROTHERS CAPITAL PARTNERS III, L.P.

FRANK C. LANZA

ROBERT V. LAPENTA

and

L-3 COMMUNICATIONS HOLDINGS, INC.

AMENDMENT NO. 3 TO TRANSACTION AGREEMENT

This Amendment No. 3 to Transaction Agreement (the "Amendment") is made as of the 15th day of May, 1997, by and among Lockheed Martin Corporation, a Maryland corporation ("Lockheed Martin"), Lehman Brothers Capital Partners III, L.P., a Delaware limited partnership, Lehman Brothers Holdings Inc., a Delaware corporation (together with Lehman Brothers Capital Partners III, L.P., "Lehman"), Frank C. Lanza ("Lanza"), Robert V. LaPenta ("LaPenta"; and together with Lanza, the "Individual Purchasers"), L-3 Communications Holdings, Inc., a Delaware corporation ("Newco"), and L-3 Communications Corporation, a Delaware corporation. For purposes of this Amendment, Lehman, Lanza and LaPenta each are individually referred to as a "Purchaser" and collectively referred to as the "Purchasers."

W I T N E S S E T H

WHEREAS, Lockheed Martin, in its own right and through certain of its direct and indirect Subsidiaries previously was engaged in the Business;

WHEREAS, Lockheed Martin and the Purchasers, upon the terms and subject to the conditions of the Agreement have formed and organized Newco;

WHEREAS, upon the terms and subject to the conditions of the Agreement, Lockheed Martin has transferred or caused the Affiliated Transferors to transfer, substantially all of the assets held or owned by, or used to conduct, the Business and to assign certain liabilities associated with the Business to Newco, and Newco has received such assets and assumed such liabilities;

WHEREAS, Lehman Brothers Capital Partners III L.P. has assigned certain of its rights and obligations under the Agreement to Lehman Brothers Holdings Inc., and Newco has assigned certain of its rights and obligations under the Agreement to L-3 Communications Corporation, a Delaware corporation and wholly owned subsidiary of Newco; and

WHEREAS, Lockheed Martin, Newco and the Purchasers desire to amend the Agreement in accordance with the terms of this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, the parties agree as follows:

Section 1. Capitalized terms used but not defined herein have the meanings given to them in the Transaction Agreement dated as of March 28, 1997, by and among Lockheed Martin, Newco and the Purchasers, as amended by Amendment No. 1 to Transaction Agreement dated as of April 11, 1997, and by Amendment No. 2 to the Transaction Agreement dated as of April 30, 1997 (as amended, the "Agreement").

Section 2. Section G.06(c) of the Transaction Agreement shall be amended to read as follows:

> With respect to all Lockheed Martin Defined Contribution Plans except the Transferred Savings Plans described in Section G.06(b) (the "Lockheed Martin Savings Plans"), the Transferred Employees shall cease to accrue benefits and service credits under such plans as of the Closing Date and, effective as of
>
> the Closing Date, Newco shall establish new savings plans ("Newco's Savings Plans") and associated trusts to hold the assets of those plans for the Transferred Employees, to be effective as of the Closing Date, and shall provide to Lockheed Martin evidence reasonably satisfactory to Lockheed Martin that Newco's Savings Plans and the associated trusts have been established and that Newco's Savings Plans qualify under the requirements of Section 401(a) of the Code, and that the trusts are exempt from tax under Section 501(a) of the Code. Lockheed Martin shall provide to Newco evidence reasonably satisfactory to Newco that the Lockheed Martin Savings Plans remain qualified under the requirements of Section 401(a) of the Code. Provided Lockheed Martin and Newco have received evidence reasonably satisfactory to them in accordance with the preceding sentences, as soon as is reasonably practicable following the Closing Date, but in no event later than 60 days following receipt of such mutually satisfactory evidence, (i) Lockheed Martin shall take all action required or appropriate to transfer the account balances of all Transferred Employees and Transferred Beneficiaries (other than account balances in the Lockheed Martin Savings Plan, Lockheed Martin Savings Plan II and Lockheed Martin Performance Sharing Plan, collectively the "Camden Plans") to the respective trust associated with Newco's Savings Plans; and (ii) with respect to account balances in the Camden Plans, Lockheed Martin shall amend the Camden Plans, to the extent permitted by Section 401(k)(10) of the Code, to permit each Transferred Employee or Transferred Beneficiary with an account balance in the Camden Plans during the period between the Closing and the end of the second calendar year following the Closing, to (x) receive a distribution from the Camden Plans; (y) make a direct rollover in accordance with Section 401(a)(31) of the Code; or (z) leave his or her account balances in the Camden Plans. Transfers shall be made in the form of cash in an amount equal to the value of the account balances to be transferred, determined as of the close of business on the last business day immediately preceding the transfer, except that (i) to the extent a participant's or beneficiary's account balance in the

transferor plan includes one or more promissory notes evidencing a participant loan or loans, such promissory note shall be transferred in kind for the participant's or beneficiary's credit under the transferee plan and (ii) any assets in the transferor trust consisting of securities issued by Lockheed Martin, Martin Marietta Materials, Inc. and Loral Space & Communications, Ltd. that are allocable to the respective transferee plan shall be transferred in kind. Amounts distributed or rolled over from the Camden Plans shall be payable in cash only. For the period from the Closing Date until such time as the Transferred Employee or Transferred Beneficiary no longer has an account balance in any Lockheed Martin Defined Contribution Plan, Newco shall collect by payroll deduction and promptly pay over to the respective Lockheed Martin Defined Contribution Plan all loan payments required on participant loans made by the respective plan to any Transferred Employee and Lockheed Martin shall cause the respective Lockheed Martin Defined Contribution Plan to

administer and pay all distributions, withdrawals and loans payable under the terms of the respective plan. Contingent upon the transfer of an account balance to each of Newco's Savings Plans, Newco shall assume all liabilities of Lockheed Martin and its affiliates with respect to that Transferred Employee or Transferred Beneficiary under the Lockheed Martin Defined Contribution Plan from which that transfer was made and shall become with respect to such Transferred Employee and Transferred Beneficiary responsible for all acts, omissions and transactions under or in connection with such Lockheed Martin Defined Contribution Plan, whether arising before or after the Closing; provided, however, that in the case of any liabilities with respect to Camden Transferees (other than Camden Transferrees for whom no such transfer was made), Newco shall only assume liabilities and shall only become responsible for all acts, omissions and transactions under or in connection with that Lockheed Martin Defined Contribution Plan arising after the Closing or disclosed in Section B.21 of the Disclosure Schedules."

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers on the day and year first above written.

WITNESS:

LOCKHEED MARTIN CORPORATION

_____ By: _____
Name: Marian S. Block
Title: Associate General Counsel

LEHMAN BROTHERS CAPITAL PARTNERS III, L.P.

By: LEHMAN BROTHERS HOLDINGS INC., its General Partner

_____ By: _____
Name: Robert B. Millard
Title: Managing Director

LEHMAN BROTHERS HOLDINGS INC.

_____ By: _____
Name: Steven J. Berger
Title: Managing Director

L-3 COMMUNICATIONS HOLDINGS, INC.

_____ By: _____
Name: Michael T. Strianese
Title: VP Finance and Controller

FRANK C. LANZA

_____ _____

ROBERT V. LAPENTA

_____ _____

L-3 COMMUNICATIONS CORPORATION

_____ By: _____
Name: Michael T. Strianese
Title: VP Finance and
Controller

AMENDMENT NO. 3

Dated as of May 21, 1997

to

TRANSACTION AGREEMENT

Dated as of March 28, 1997

By and Among

LOCKHEED MARTIN CORPORATION

LEHMAN BROTHERS CAPITAL PARTNERS III, L.P.

LEHMAN BROTHERS HOLDINGS INC.

FRANK C. LANZA

ROBERT V. LAPENTA

L-3 COMMUNICATIONS HOLDINGS, INC.

and

L-3 COMMUNICATIONS CORPORATION

EXHIBIT 10.6

EMPLOYMENT AGREEMENT

AGREEMENT, made April 30, 1997 by and between L-3 Communications Holdings, Inc., a Delaware corporation (the "Company") and Frank C. Lanza (the "Executive").

RECITALS

In order to induce Executive to serve as the Chairman and Chief Executive Officer of the Company, the Company desires to provide Executive with compensation and other benefits on the terms and conditions set forth in this Agreement.

Executive is willing to accept such employment and perform services for the Company, on the terms and conditions hereinafter set forth.

It is therefore hereby agreed by and between the parties as follows:

1. Employment.

1.1 Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive during the Term hereof as its Chairman and Chief Executive Officer. In his capacity as the Chairman and Chief Executive Officer of the Company, Executive shall report to the Board of Directors of the Company (the "Board") and shall have the customary powers, responsibilities and authorities of chairmen and chief executive officers of corporations of the size, type and nature of the Company, as it exists from time to time, and as are assigned by the Board.

1.2 Subject to the terms and conditions of this Agreement, Executive hereby accepts employment as the Chairman and Chief Executive Officer of the Company commencing as of the date hereof (the "Commencement Date") and agrees to devote his full business time and efforts to the performance of services, duties and responsibilities in connection therewith, subject at all times to review and control of the Board. In addition, during the Initial Term and any Renewal Term, (i) the Company agrees to nominate Executive for election to the Board and use its best efforts to cause his election to the Board and Executive agrees to serve on the Board of the Company and (ii) during the Term of Employment, Executive also agrees to serve, if elected, as an officer and/or director of any Subsidiary of the Company, without the payment of any additional compensation therefor. Upon the termination of Executive's employment for any reason, Executive shall resign as a member of the Board of the Company or any Subsidiary of the Company.

1.3 Nothing in this Agreement shall preclude Executive from engaging in charitable work and community affairs, from managing any investment made by him with respect to which Executive is not substantially involved with the management or operation of the entity in which Executive has invested (provided that no such investment in publicly traded equity securities or other property may exceed 5% of the equity of any entity, without the prior approval of the Board) or from serving, subject to the prior approval of the Board, as a member of boards of directors or as a trustee of any other corporation, association or entity, to the extent that

any of the above activities do not materially interfere with the performance of his duties hereunder. For purposes of the preceding sentence, any approval by the Board required therein shall not be unreasonably withheld.

2. Term of Employment. Executive's term of employment under this Agreement (the "Term of Employment") shall commence on the Commencement Date and, subject to the terms hereof, shall terminate on the earlier of (i) the fifth anniversary of the Commencement Date (the "Initial Term") or (ii) termination of Executive's employment pursuant to this Agreement. Notwithstanding the foregoing, subsequent to the Initial Term, Executive's

Term of Employment under this Agreement shall automatically renew annually for one year renewal terms (the "Renewal Term") unless either party shall deliver to the other written notice, at least 90 days prior to the expiration of the Initial Term or any Renewal Term, that the Term of Employment shall not be extended. In such event, the Term of Employment will end at its then scheduled expiration date and shall not be further extended except by written agreement of the Company and Executive.

3. Compensation.

3.1 Salary. During the Initial Term of Executive's employment under the terms of this Agreement, the Company shall pay Executive a base salary ("Base Salary") at an initial rate of $750,000 per annum. Base Salary shall be payable in accordance with the ordinary payroll practices of the Company. During the Term of Employment, the Board shall, in good faith, review, at least annually, the Executive's Base Salary in accordance with the Company's customary procedures and practices regarding the salaries of senior executives and may, if determined by the Board to be appropriate, increase Executive's Base Salary following such review. Increases in the rate of salary, once granted, shall not be subject to revocation or decrease thereafter, and "Base Salary" for all purposes herein shall be deemed to be a reference to such higher amount.

4. Employee Benefits.

4.1 Equity and Stock Options. Simultaneously with the execution of this Agreement, the Company and Executive are entering into the Subscription Agreement, the Option Agreement and the Stockholders' Agreement in the forms attached hereto as Exhibits A, B and C, respectively (the "Ancillary Documents"). Executive shall not be eligible to receive any stock option or other equity incentive other than as set forth in the Ancillary Documents.

4.2 Employee Benefit Programs, Plans and Practices. The Company shall provide Executive while employed hereunder with coverage under such employee benefits (commensurate with his position in the Company and to the extent permitted under any employee benefit plan) in accordance with the terms thereof, which the Company makes available to its senior executives.

4.3 Vacation. Executive shall be entitled to twenty (20) business days paid vacation each calendar year, which shall be taken at such times as are consistent with Executive's responsibilities hereunder. Any vacation days not taken during the calendar year in which they are accrued may be carried over into the next subsequent year.

5. Expenses. Subject to prevailing Company policy or such guidelines as may be established by the Board, the Company will reimburse Executive for all reasonable expenses incurred by Executive in carrying out his duties.

6. Termination of Employment.

6.1 Termination Not for Cause or for Good Reason. (a) The Company or Executive may terminate Executive's Term of Employment at any time for any reason by written notice at least thirty (30) days in advance. If Executive's employment is terminated (i) by the Company other than for Cause (as defined in Section 6.2(b) hereof), Disability (as defined in Section 6.3 hereof) or death or (ii) by Executive for Good Reason (as defined in Section 6.1(b) hereof) prior to the end of the Initial Term or any Renewal Term, the Company shall continue to pay Executive's Base Salary through the end of the Initial Term or the Renewal Term (the "Continuation Period"), as the case may be, with such payments to be made in accordance with the terms of Section 3.1. (the "Severance Payments"). In addition, the Company shall continue to provide Executive during the Continuation Period with life insurance, medical and hospitalization benefits (collectively, the "Continuation Benefits") comparable to those provided to other senior executives; provided, however,

that any such coverage shall terminate to the extent that Executive is offered or obtains comparable life insurance, medical or hospitalization benefits coverage from any other employer during the Continuation Period. Notwithstanding the foregoing, if Executive breaches any provision of Section 11 hereof, the remaining balance of the Severance Payments and any Continuation Benefits shall be forfeited. Executive shall be entitled to receive the benefits, if any, provided under the employee benefit programs, plans and practices referred to in Section 4.2, in accordance with their terms.

(b) For purposes of this Agreement, "Good Reason" shall mean any of the following (without Executive's express prior written consent):

(i) A reduction by the Company in Executive's Base Salary (in which event Severance Payments shall be made based upon Executive's Base Salary in effect prior to any such reduction); or

(ii) Any material diminution or material adverse change in Executive's titles, duties or responsibilities, unless due to a promotion or increased responsibility of Executive.

(c) Termination by Executive for Good Reason shall be made by delivery to the Company by Executive of written notice, given at least 45 days prior to such termination, which sets forth the conduct believed to constitute Good Reason; provided, however, that the Company shall have the opportunity to cure the Good Reason during the first 30 days of such notice period and if the Good Reason is cured within such 30-day period, Executive's notice of termination shall be deemed withdrawn. If no notice is given within 90 days of the event giving rise to Good Reason, the Good Reason shall be deemed waived.

6.2 Voluntary Termination by Executive; Discharge for Cause. (a) In the event that Executive's employment is terminated (i) by the Company for Cause, as hereinafter defined or (ii) by Executive other than for Good Reason, Disability or death, Executive shall only be entitled to receive (A) any Base Salary accrued but unpaid prior to such termination and (B) any

benefits provided under the employee benefit programs, plans and practices referred to in Section 4.2 hereof, in accordance with their terms. After the termination of Executive's employment under this Section 6.2, the obligations of the Company under this Agreement to make any further payments, or provide any benefits specified herein, to Executive shall thereupon cease and terminate.

(b) As used herein, the term "Cause" shall be limited to (i) gross neglect of or willful and continuing refusal by Executive to substantially perform Executive's duties hereunder (other than due to death or Disability, as such term is defined in Section 6.3 hereof), (ii) any breach of the provisions of Section 11 of this Agreement by Executive, (iii) willfully engaging in conduct that is demonstrably injurious to the Company or the Company's subsidiaries or affiliates by Executive or (iv) conviction of, or plea of nolo contendere, by Executive to (a) any felony or (b) a misdemeanor involving moral turpitude. Termination of Executive pursuant to this Section 6.2 shall be made by delivery to Executive of written notice, given at least 30 days prior to such Termination, from the Board specifying the particulars of the conduct by Executive set forth in any of clauses (i) through (iv) above. Termination shall be effected by a majority vote of the Board at a meeting at which Executive shall have had the opportunity (along with counsel) to be heard unless within 30 days after receiving such notice, Executive shall have cured Cause to the reasonable satisfaction of the Board; provided, however, that no cure shall be possible if termination for Cause is made pursuant to this Section 6.2(b)(ii) or (iv). As long as Executive is on the Board, he shall reasonably cooperate to cause a valid Board meeting to occur.

6.3 Disability. In the event of the Disability (as defined below) of Executive during the Term of Employment, the Company may terminate Executive's Term of Employment upon written notice to Executive (or

Executive's personal representative, if applicable) effective upon the date of receipt thereof (the "Disability Commencement Date"). The obligation of the Company to make any further payments under this Agreement shall, except for earned but unpaid Base Salary, cease as of the Disability Commencement Date; provided, however, that Executive shall continue to receive payments equal to Executive's Base Salary otherwise payable under this Agreement for a period equal to the lesser of (i) six months after the date of the occurrence of the incapacity causing Executive's Disability and (ii) the number of months otherwise remaining in the Term of Employment, in either case, reduced by the amount of any disability payments otherwise payable to Executive under any insurance program of the Company. The term "Disability," for purposes of this Agreement, shall mean Executive's absence from the full-time performance of Executive's duties pursuant to a reasonable determination made in accordance with the Company's disability plan that Executive is disabled as a result of incapacity due to physical or mental illness that lasts, or is reasonably expected to last, for at least six months.

6.4 Death. In the event of Executive's death during his Term of Employment hereunder or at any time thereafter while payments are still owing to Executive under the terms of this Agreement, all obligations of the Company to make any further payments, other than the obligation to pay any accrued but unpaid Base Salary or remaining payments that were payable to Executive by reason of his termination of employment under Section 6.1 to which Executive was entitled at the time of his death, shall terminate upon Executive's death, and benefits shall become payable under the Company's life and accidental death insurance program in accordance with its terms. Benefits under all other employee benefit programs, plans and practices shall be paid in accordance with their terms.

6.5 No Further Notice or Compensation. Executive understands and agrees that he shall not be entitled to any further notice or compensation

upon Termination of Employment under this Agreement, other than amounts specified in this Section 6 and the Ancillary Documents. Executive shall not have any obligation to seek comparable employment following such termination or resignation, nor shall any compensation received from any subsequent employment reduce the Company's obligations hereunder.

6.6 Executive's Duty to Provide Materials. Upon the termination of the Term of Employment for any reason, Executive or his estate shall surrender to the Company all correspondence, letters, files, contracts, mailing lists, customer lists, advertising materials, ledgers, supplies, equipment, checks, and all other materials and records of any kind that are the property of the Company or any of its subsidiaries or affiliates, that may be in Executive's possession or under his control, including all copies of any of the foregoing; provided, however, Executive shall not be required to surrender his personal rolodex, telephone book, appointment book and personal materials acquired by Executive prior to the date hereof.

7. Notices. All notices or communications hereunder shall be in writing, addressed as follows:

To the Company:

with a copy to:

Alvin H. Brown, Esq.
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017

To Executive:

Frank C. Lanza
37 Murray Hill Road
Scarsdale, NY 10583

with a copy to:

Robert C. Schwenkel
Fried, Frank, Harris, Shriver & Jacobson
1 New York Plaza
New York, New York 10004

Any such notice or communication shall be delivered by hand or by courier or sent certified or registered mail, return receipt requested, postage prepaid, addressed as above (or to such other address as such party may designate in a notice duly delivered as described above), and the third business day after the actual date of sending shall constitute the time at which notice was given.

8. Separability. If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect.

9. Assignment. This contract shall be binding upon and inure to the benefit of the heirs and representatives of Executive and the assigns and successors of the Company, but neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by Executive (except by will or, in the case of the Options, by trust for the benefit of Executive's spouse and/or children or by operation of the laws of intestate succession) or by the Company, except that the Company may assign this Agreement to any successor (whether by merger, purchase or otherwise) to all or substantially all of the stock, assets or businesses of the Company, if such successor expressly agrees to assume the obligations of the Company hereunder.

10. Amendment. This Agreement may only be amended by written agreement of the parties hereto.

11. Nondisclosure of Confidential Information: Non-Competition. (a) While employed by the Company, and at any time thereafter, the Executive shall not, without the prior written consent of the Company, use, divulge, disclose or make accessible to any other person, firm, partnership, corporation or other entity any Confidential Information pertaining to the business of the Company or any of its affiliates, except (i) while employed

by the Company, in the business of and for the benefit of the Company or (ii) when required to do so by applicable law, by a court, by any governmental agency, or by any administrative body or legislative body (including a committee thereof); provided, however, that Executive shall give reasonable notice under the circumstances to the Company that he has been notified that he will be required to so disclose as soon as possible after receipt of such notice in order to permit the Company to take whatever action it reasonably deems necessary to prevent such disclosure and Executive shall cooperate with the Company to the extent that it reasonably requests him to do so. For purposes of this Section 11(a), "Confidential Information" shall mean non-public information concerning the financial data, strategic business plans, product development (or other proprietary product data), customer lists, marketing plans and other non-public, proprietary and confidential information of the Company, its subsidiaries, its affiliates or customers, that, in any case, is not otherwise available to the public (other than by Executive's breach of the terms hereof).

(b) In consideration of the Company's obligations under this Agreement, Executive agrees that during the period of his employment hereunder and for a period of twelve (12) months thereafter, without the prior written consent of the Board, (A) he will not, directly or indirectly, either as principal, manager, agent, consultant, officer, stockholder, partner, investor, lender or employee or in any other capacity, carry on, be engaged in or have any financial interest in, any entity which is in competition with the business of the Company or its subsidiaries and (B) he shall not, on his own behalf or on behalf of any person, firm or company, directly or indirectly, solicit or offer employment to any person who is or has been employed by the Company or its subsidiaries at any time during the twelve (12) months immediately preceding such solicitation; provided, however, that if the Executive's employment terminates following the

expiration of the Initial Term, this subsection 11(b) shall only be effective during the period, if any, that the Company pays the Executive the Severance Payments.

(c) For purposes of this Section 11, an entity shall be deemed to be in competition with the Company if it is principally involved in the purchase, sale or other dealing in any property or the rendering of any service purchased, sold, dealt in or rendered by the Company as a part of the business of the Company within the same geographic area in which the Company effects such sales or dealings or renders such services. Notwithstanding this subsection 11(c) or subsection 11(b), nothing herein shall (i) prohibit Executive from serving as an officer, employee or independent consultant of any business unit or subsidiary which would not otherwise be in competition with the Company or its subsidiaries, but which business unit is a part of, or which subsidiary is controlled by, or under common control with, an entity that would be in competition with the Company or its subsidiaries, so long as Executive does not engage in any activity which is in competition with any business of the Company or its subsidiaries or (ii) be construed so as to preclude Executive from investing in any publicly or privately held company, provided Executive's beneficial ownership of any class of such company's securities does not exceed 5% of the outstanding securities of such class.

(d) Executive agrees that this covenant not to compete is reasonable under the circumstances and will not interfere with his ability to earn a living or to otherwise meet his financial obligations. Executive and the Company agree that if in the opinion of any court of competent jurisdiction such restraint is not reasonable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of this covenant as to the court shall appear not reasonable and to enforce the remainder of the covenant as so amended. Executive agrees that any breach of the covenants contained in this Section 11 would

irreparably injure the Company. Accordingly, Executive agrees that, in the event the Company determines that Executive has breached the covenants contained in this Section 11, the Company may, in addition to pursuing any other remedies it may have in law or in equity, cease making any payments otherwise required by this Agreement and obtain an injunction against Executive from any court having jurisdiction over the matter restraining any further violation of this Agreement by Executive.

12. Beneficiaries; References. Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative. Any reference to the masculine gender in this Agreement shall include, where appropriate, the feminine.

13. Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations. The provisions of this Section 13 are in addition to the survivorship provisions of any other section of this Agreement.

14. Dispute Resolution; Legal Fees. Any dispute or controversy arising under or in connection with this Agreement shall be resolved by the court with the appropriate jurisdiction in the State of New York. The prevailing party shall be entitled to be reimbursed for any reasonable legal fees and other fees and expenses which may be incurred in respect of enforcing its respective rights under this Agreement.

15. Governing Law. This Agreement shall be construed, interpreted and governed in accordance with the laws of the State of New York, without reference to rules relating to conflicts of law.

16. Effect on Prior Agreements. This Agreement and the Ancillary Documents contain the entire understanding between the parties hereto and supersedes in all respects any prior or other agreement or understanding, both written and oral, between the Company, any affiliate of the Company or any predecessor of the Company or affiliate of the Company and Executive.

17. Withholding. The Company shall be entitled to withhold from payment any amount of withholding required by law.

18. Survival. Notwithstanding the expiration of the term of this Agreement, the provisions of Section 11 hereunder shall remain in effect as long as is reasonably necessary to give effect thereto in accordance with the terms hereof.

19. Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original.

L-3 Communications Holdings, Inc.

By /s/ Michael T. Strianese
Name: Michael T. Strianese
Title: Vice President, Finance and Controller

/s/ Frank C. Lanza

EXHIBIT 10.61

EMPLOYMENT AGREEMENT

AGREEMENT, made April 30, 1997 by and between L-3 Communications Holdings, Inc., a Delaware corporation (the "Company") and Robert V. LaPenta (the "Executive").

RECITALS

In order to induce Executive to serve as the President and Chief Financial Officer of the Company, the Company desires to provide Executive with compensation and other benefits on the terms and conditions set forth in this Agreement.

Executive is willing to accept such employment and perform services for the Company, on the terms and conditions hereinafter set forth.

It is therefore hereby agreed by and between the parties as follows:

1. Employment.

1.1 Subject to the terms and conditions of this Agreement, the Company agrees to employ Executive during the Term hereof as its President and Chief Financial Officer. In his capacity as the President and Chief Financial Executive Officer of the Company, Executive shall report to the Chief Executive Officer (the "CEO") and shall have the customary powers, responsibilities and authorities of presidents and chief financial officers of corporations of the size, type and nature of the Company, as it exists from time to time, and as are assigned by the CEO.

1.2 Subject to the terms and conditions of this Agreement, Executive hereby accepts employment as the President and Chief Financial Officer of the Company commencing as of the date hereof (the "Commencement Date") and agrees to devote his full business time and efforts to the performance of services, duties and responsibilities in connection therewith, subject at all times to review and control of the CEO. In addition, during the Initial Term and any Renewal Term, (i) the Company agrees to nominate Executive for election to the Board of Directors of the Company (the "Board") and use its best efforts to cause his election to the Board and Executive agrees to serve on the Board of the Company and (ii) during the Term of Employment, Executive also agrees to serve, if elected, as an officer and/or director of any Subsidiary of the Company, without the payment of any additional compensation therefor. Upon the termination of Executive's employment for any reason, Executive shall resign as a member of the Board of the Company or any Subsidiary of the Company.

1.3 Nothing in this Agreement shall preclude Executive from engaging in charitable work and community affairs, from managing any investment made by him with respect to which Executive is not substantially involved with the management or operation of the entity in which Executive has invested (provided that no such investment in publicly traded equity securities or other property may exceed 5% of the equity of any entity, without the prior approval of the Board) or from serving, subject to the prior approval of the Board, as a member of boards of directors or as a

trustee of any other corporation, association or entity, to the extent that any of the above activities do not materially interfere with the performance of his duties hereunder. For purposes of the preceding sentence, any approval by the Board required therein shall not be unreasonably withheld.

2. Term of Employment. Executive's term of employment under this Agreement (the "Term of Employment") shall commence on the Commencement Date and, subject to the terms hereof, shall terminate on the earlier of (i) the fifth anniversary of the Commencement Date "Initial Term") or (ii) termination of Executive's employment pursuant to this Agreement. Notwithstanding the foregoing, subsequent to the Initial Term, Executive's

Term of Employment under this Agreement shall automatically renew annually for one year renewal terms (the "Renewal Term") unless either party shall deliver to the other written notice, at least 90 days prior to the expiration of the Initial Term or any Renewal Term, that the Term of Employment shall not be extended. In such event, the Term of Employment will end at its then scheduled expiration date and shall not be further extended except by written agreement of the Company and Executive.

3. Compensation.

3.1 Salary. During the Initial Term of Executive's employment under the terms of this Agreement, the Company shall pay Executive a base salary ("Base Salary") at an initial rate of $500,000 per annum. Base Salary shall be payable in accordance with the ordinary payroll practices of the Company. During the Term of Employment, the Board shall, in good faith, review, at least annually, the Executive's Base Salary in accordance with the Company's customary procedures and practices regarding the salaries of senior executives and may, if determined by the Board to be appropriate, increase Executive's Base Salary following such review. Increases in the rate of salary, once granted, shall not be subject to revocation or decrease thereafter, and "Base Salary" for all purposes herein shall be deemed to be a reference to such higher amount.

4. Employee Benefits.

4.1 Equity and Stock Options. Simultaneously with the execution of this Agreement, the Company and Executive are entering into the Subscription Agreement, the Option Agreement and the Stockholders' Agreement in the forms attached hereto as Exhibits A, B and C, respectively (the "Ancillary Documents"). Executive shall not be eligible to receive any stock option or other equity incentive other than as set forth in the Ancillary Documents.

4.2 Employee Benefit Programs, Plans and Practices. The Company shall provide Executive while employed hereunder with coverage under such employee benefits (commensurate with his position in the Company and to the extent permitted under any employee benefit plan) in accordance with the terms thereof, which the Company makes available to its senior executives.

4.3 Vacation. Executive shall be entitled to twenty (20) business days paid vacation each calendar year, which shall be taken at such times as are consistent with Executive's responsibilities hereunder. Any vacation days not taken during the calendar year in which they are accrued may be carried over into the next subsequent year.

5. Expenses. Subject to prevailing Company policy or such guidelines as may be established by the Board, the Company will reimburse Executive for all reasonable expenses incurred by Executive in carrying out his duties.

6. Termination of Employment.

6.1 Termination Not for Cause or for Good Reason. (a) The Company or Executive may terminate Executive's Term of Employment at any time for any reason by written notice at least thirty (30) days in advance. If Executive's employment is terminated (i) by the Company other than for Cause (as defined in Section 6.2(b) hereof), Disability (as defined in Section 6.3 hereof) or death or (ii) by Executive for Good Reason (as defined in Section 6.1(b) hereof) prior to the end of the Initial Term or any Renewal Term, the Company shall continue to pay Executive's Base Salary through the end of the Initial Term or the Renewal Term (the "Continuation Period"), as the case may be, with such payments to be made in accordance with the terms of Section 3.1. (the "Severance Payments"). In addition, the Company shall continue to provide Executive during the Continuation Period with life insurance, medical and hospitalization benefits (collectively, the "Continuation Benefits") comparable to those provided to other senior executives; provided, however,

that any such coverage shall terminate to the extent that Executive is offered or obtains comparable life insurance, medical or hospitalization benefits coverage from any other employer during the Continuation Period. Notwithstanding the foregoing, if Executive breaches any provision of Section 11 hereof, the remaining balance of the Severance Payments and any Continuation Benefits shall be forfeited. Executive shall be entitled to receive the benefits, if any, provided under the employee benefit programs, plans and practices referred to in Section 4.2, in accordance with their terms.

(b) For purposes of this Agreement, "Good Reason" shall mean any of the following (without Executive's express prior written consent):

(i) A reduction by the Company in Executive's Base Salary (in which event Severance Payments shall be made based upon Executive's Base Salary in effect prior to any such reduction); or

(ii) Any material diminution or material adverse change in Executive's titles, duties or responsibilities, unless due to a promotion or increased responsibility of Executive.

(c) Termination by Executive for Good Reason shall be made by delivery to the Company by Executive of written notice, given at least 45 days prior to such termination, which sets forth the conduct believed to constitute Good Reason; provided, however, that the Company shall have the opportunity to cure the Good Reason during the first 30 days of such notice period and if the Good Reason is cured within such 30-day period, Executive's notice of termination shall be deemed withdrawn. If no notice is given within 90 days of the event giving rise to Good Reason, the Good Reason shall be deemed waived.

6.2 Voluntary Termination by Executive; Discharge for Cause. (a) In the event that Executive's employment is terminated (i) by the Company for Cause, as hereinafter defined or (ii) by Executive other than for Good Reason, Disability or death, Executive shall only be entitled to receive (A) any Base Salary accrued but unpaid prior to such termination and (B) any

benefits provided under the employee benefit programs, plans and practices referred to in Section 4.2 hereof, in accordance with their terms. After the termination of Executive's employment under this Section 6.2, the obligations of the Company under this Agreement to make any further payments, or provide any benefits specified herein, to Executive shall thereupon cease and terminate.

(b) As used herein, the term "Cause" shall be limited to (i) gross neglect of or willful and continuing refusal by Executive to substantially perform Executive's duties hereunder (other than due to death or Disability, as such term is defined in Section 6.3 hereof), (ii) any breach of the provisions of Section 11 of this Agreement by Executive, (iii) willfully engaging in conduct that is demonstrably injurious to the Company or the Company's subsidiaries or affiliates by Executive or (iv) conviction of, or plea of nolo contendere, by Executive to (a) any felony or (b) a misdemeanor involving moral turpitude. Termination of Executive pursuant to this Section 6.2 shall be made by delivery to Executive of written notice, given at least 30 days prior to such Termination, from the Board specifying the particulars of the conduct by Executive set forth in any of clauses (i) through (iv) above. Termination shall be effected by a majority vote of the Board at a meeting at which Executive shall have had the opportunity (along with counsel) to be heard unless within 30 days after receiving such notice, Executive shall have cured Cause to the reasonable satisfaction of the Board; provided, however, that no cure shall be possible if termination for Cause is made pursuant to this Section 6.2(b)(ii) or (iv). As long as Executive is on the Board, he shall reasonably cooperate to cause a valid Board meeting to occur.

6.3 Disability. In the event of the Disability (as defined below) of Executive during the Term of Employment, the Company may terminate Executive's Term of Employment upon written notice to Executive (or

Executive's personal representative, if applicable) effective upon the date of receipt thereof (the "Disability Commencement Date"). The obligation of the Company to make any further payments under this Agreement shall, except for earned but unpaid Base Salary, cease as of the Disability Commencement Date; provided, however, that Executive shall continue to receive payments equal to Executive's Base Salary otherwise payable under this Agreement for a period equal to the lesser of (i) six months after the date of the occurrence of the incapacity causing Executive's Disability and (ii) the number of months otherwise remaining in the Term of Employment, in either case, reduced by the amount of any disability payments otherwise payable to Executive under any insurance program of the Company. The term "Disability," for purposes of this Agreement, shall mean Executive's absence from the full-time performance of Executive's duties pursuant to a reasonable determination made in accordance with the Company's disability plan that Executive is disabled as a result of incapacity due to physical or mental illness that lasts, or is reasonably expected to last, for at least six months.

6.4 Death. In the event of Executive's death during his Term of Employment hereunder or at any time thereafter while payments are still owing to Executive under the terms of this Agreement, all obligations of the Company to make any further payments, other than the obligation to pay any accrued but unpaid Base Salary or remaining payments that were payable to Executive by reason of his termination of employment under Section 6.1 to which Executive was entitled at the time of his death, shall terminate upon Executive's death, and benefits shall become payable under the Company's life and accidental death insurance program in accordance with its terms. Benefits under all other employee benefit programs, plans and practices shall be paid in accordance with their terms.

6.5 No Further Notice or Compensation. Executive understands and agrees that he shall not be entitled to any further notice or compensation

upon Termination of Employment under this Agreement, other than amounts specified in this Section 6 and the Ancillary Documents. Executive shall not have any obligation to seek comparable employment following such termination or resignation, nor shall any compensation received from any subsequent employment reduce the Company's obligations hereunder.

6.6 Executive's Duty to Provide Materials. Upon the termination of the Term of Employment for any reason, Executive or his estate shall surrender to the Company all correspondence, letters, files, contracts, mailing lists, customer lists, advertising materials, ledgers, supplies, equipment, checks, and all other materials and records of any kind that are the property of the Company or any of its subsidiaries or affiliates, that may be in Executive's possession or under his control, including all copies of any of the foregoing; provided, however, Executive shall not be required to surrender his personal rolodex, telephone book, appointment book and personal materials acquired by Executive prior to the date hereof.

7. Notices. All notices or communications hereunder shall be in writing, addressed as follows:

To the Company:

with a copy to:

Alvin H. Brown, Esq.
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017

To Executive:

Robert V. LaPenta
749 Riversville Road
Greenwich, CT 06831

with a copy to:

Robert C. Schwenkel
Fried, Frank, Harris, Shriver & Jacobson
1 New York Plaza
New York, New York 10004

Any such notice or communication shall be delivered by hand or by courier or sent certified or registered mail, return receipt requested, postage prepaid, addressed as above (or to such other address as such party may designate in a notice duly delivered as described above), and the third business day after the actual date of sending shall constitute the time at which notice was given.

8. Separability. If any provision of this Agreement shall be declared to be invalid or unenforceable, in whole or in part, such invalidity or unenforceability shall not affect the remaining provisions hereof which shall remain in full force and effect.

9. Assignment. This contract shall be binding upon and inure to the benefit of the heirs and representatives of Executive and the assigns and successors of the Company, but neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by Executive (except by will or, in the case of the Options, by trust for the benefit of Executive's spouse and/or children or by operation of the laws of intestate succession) or by the Company, except that the Company may assign this Agreement to any successor (whether by merger, purchase or otherwise) to all or substantially all of the stock, assets or businesses of the Company, if such successor expressly agrees to assume the obligations of the Company hereunder.

10. Amendment. This Agreement may only be amended by written agreement of the parties hereto.

11. Nondisclosure of Confidential Information; Non-Competition. (a) While employed by the Company, and at any time thereafter, the Executive shall not, without the prior written consent of the Company, use, divulge, disclose or make accessible to any other person, firm, partnership, corporation or other entity any Confidential Information pertaining to the business of the Company or any of its affiliates, except (i) while employed

by the Company, in the business of and for the benefit of the Company or (ii) when required to do so by applicable law, by a court, by any governmental agency, or by any administrative body or legislative body (including a committee thereof); provided, however, that Executive shall give reasonable notice under the circumstances to the Company that he has been notified that he will be required to so disclose as soon as possible after receipt of such notice in order to permit the Company to take whatever action it reasonably deems necessary to prevent such disclosure and Executive shall cooperate with the Company to the extent that it reasonably requests him to do so. For purposes of this Section 11(a), "Confidential Information" shall mean non-public information concerning the financial data, strategic business plans, product development (or other proprietary product data), customer lists, marketing plans and other non-public, proprietary and confidential information of the Company, its subsidiaries, its affiliates or customers, that, in any case, is not otherwise available to the public (other than by Executive's breach of the terms hereof).

(b) In consideration of the Company's obligations under this Agreement, Executive agrees that during the period of his employment hereunder and for a period of twelve (12) months thereafter, without the prior written consent of the Board, (A) he will not, directly or indirectly, either as principal, manager, agent, consultant, officer, stockholder, partner, investor, lender or employee or in any other capacity, carry on, be engaged in or have any financial interest in, any entity which is in competition with the business of the Company or its subsidiaries and (B) he shall not, on his own behalf or on behalf of any person, firm or company, directly or indirectly, solicit or offer employment to any person who is or has been employed by the Company or its subsidiaries at any time during the twelve (12) months immediately preceding such solicitation; provided, however, that if the Executive's employment terminates following the

expiration of the Initial Term, this subsection 11(b) shall only be effective during the period, if any, that the Company pays the Executive the Severance Payments.

(c) For purposes of this Section 11, an entity shall be deemed to be in competition with the Company if it is principally involved in the purchase, sale or other dealing in any property or the rendering of any service purchased, sold, dealt in or rendered by the Company as a part of the business of the Company within the same geographic area in which the Company effects such sales or dealings or renders such services. Notwithstanding this subsection 11(c) or subsection 11(b), nothing herein shall (i) prohibit Executive from serving as an officer, employee or independent consultant of any business unit or subsidiary which would not otherwise be in competition with the Company or its subsidiaries, but which business unit is a part of, or which subsidiary is controlled by, or under common control with, an entity that would be in competition with the Company or its subsidiaries, so long as Executive does not engage in any activity which is in competition with any business of the Company or its subsidiaries or (ii) be construed so as to preclude Executive from investing in any publicly or privately held company, provided Executive's beneficial ownership of any class of such company's securities does not exceed 5% of the outstanding securities of such class.

(d) Executive agrees that this covenant not to compete is reasonable under the circumstances and will not interfere with his ability to earn a living or to otherwise meet his financial obligations. Executive and the Company agree that if in the opinion of any court of competent jurisdiction such restraint is not reasonable in any respect, such court shall have the right, power and authority to excise or modify such provision or provisions of this covenant as to the court shall appear not reasonable and to enforce the remainder of the covenant as so amended. Executive agrees that any breach of the covenants contained in this Section 11 would

irreparably injure the Company. Accordingly, Executive agrees that, in the event the Company determines that Executive has breached the covenants contained in this Section 11, the Company may, in addition to pursuing any other remedies it may have in law or in equity, cease making any payments otherwise required by this Agreement and obtain an injunction against Executive from any court having jurisdiction over the matter restraining any further violation of this Agreement by Executive.

12. Beneficiaries; References. Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative. Any reference to the masculine gender in this Agreement shall include, where appropriate, the feminine.

13. Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations. The provisions of this Section 13 are in addition to the survivorship provisions of any other section of this Agreement.

14. Dispute Resolution; Legal Fees. Any dispute or controversy arising under or in connection with this Agreement shall be resolved by the court with the appropriate jurisdiction in the State of New York. The prevailing party shall be entitled to be reimbursed for any reasonable legal fees and other fees and expenses which may be incurred in respect of enforcing its respective rights under this Agreement.

15. Governing Law. This Agreement shall be construed, interpreted and governed in accordance with the laws of the State of New York, without reference to rules relating to conflicts of law.

16. Effect on Prior Agreements. This Agreement and the Ancillary Documents contain the entire understanding between the parties hereto and supersedes in all respects any prior or other agreement or understanding, both written and oral, between the Company, any affiliate of the Company or any predecessor of the Company or affiliate of the Company and Executive.

17. Withholding. The Company shall be entitled to withhold from payment any amount of withholding required by law.

18. Survival. Notwithstanding the expiration of the term of this Agreement, the provisions of Section 11 hereunder shall remain in effect as long as is reasonably necessary to give effect thereto in accordance with the terms hereof.

19. Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original.

L-3 Communications Holdings, Inc.

By /s/ Michael T. Strianese
Name: Michael T. Strianese
Title: Vice President, Finance and Controller

/s/ Robert V. LaPenta
Robert V. LaPenta

Exhibit 10.7

Interim Services Agreement

This Interim Services Agreement, made as of the 30th day of April, 1997 by and among Lockheed Martin Corporation, a Maryland corporation ("LM"), L-3 Communications Holdings, Inc., a Delaware corporation ("Newco") and L-3 Communications Corporation, a Delaware corporation that is a wholly owned Subsidiary of Newco ("L-3").

W I T N E S S E T H:

WHEREAS, LM and Newco, together with Lehman Brothers Capital Partners III, L.P., Frank C. Lanza and Robert V. LaPenta, have entered into a Transaction Agreement (the "Transaction Agreement"); and

WHEREAS, pursuant to Section 2.01(vi) of the Transaction Agreement, LM has agreed to provide to Newco and Newco has agreed to provide to LM certain services including the Services described herein; and

WHEREAS, pursuant to Section 15.04 of the Transaction Agreement, Newco has assigned its rights and obligations under Section 2.01(vi) of the Transaction Agreement to L-3; and

WHEREAS, the provision of certain other services contemplated by Section 2.01(vi) of the Transaction Agreement are the subjects of various real property leases, a Transition Services Agreement concerning information and communication systems services and a MAC/MAR Service Agreement all of even date herewith between LM or its Affiliates and L-3 or its Affiliates (collectively, the "Other Agreements").

NOW, THEREFORE, in consideration of the mutual covenants and agreements of the parties contained herein, the parties hereby covenant and agree as follows:

1. Definitions. Defined terms used in this Interim Services Agreement shall have the meanings specified in the Transaction Agreement (including all Exhibits, Schedules and Attachments thereto). In addition, the following terms shall have the following meanings:

"Other Agreements" has the meaning set forth in the Preamble to this Interim Services Agreement.

"Provider" means any of LM, L-3, or any of their respective Affiliates designated on the relevant Schedule as the operating unit which is to provide a Service to another party pursuant to the terms of this Interim Services Agreement.

"Recipient" means any of LM, L-3, or any of their respective Affiliates designated on the relevant Schedule as the operating unit which is to receive a Service from the Provider pursuant to the terms of this Interim Services Agreement.

"Schedule" means each Schedule attached hereto.

"Service" means each service (including the provision of limited space or equipment) described on a Schedule attached hereto to be provided by a Provider to a Recipient pursuant to the terms of this Interim Services Agreement excluding any service addressed in any of the Other Agreements or in the Transaction Agreement including, without limitation, in Sections 7.02 and 8.02 thereof.

2. Services To Be Provided. During the term of this Interim Services

Agreement, each of LM and L-3 shall provide or shall cause each of its respective Affiliates that is designated as a Provider on a Schedule or a third party provider that such Provider reasonably believes to be competent to provide the Services described on such Schedule to the Recipient designated on such Schedule. The parties acknowledge that the Services to be provided by L-3 include providing certain services to Loral Space & Communications, Ltd. relating to its offices at 600 Third Avenue, New York, New York that currently are provided to Loral Space & Communications, Ltd. by LM.

3. Consideration; Disbursements.

(a) In consideration for the Services provided, the Recipient shall pay to the Provider amounts determined on a basis consistent with methodologies used to allocate costs for the provision of such Services prior to the date hereof. The Provider shall invoice the Recipient for the Services provided hereunder on a monthly basis and the Recipient shall pay the amount of such invoice in immediately available funds within 15 days of the date hereof.

(b) In addition to amounts due pursuant to Section 3(a), if the provision of a Service will result in the Provider's incurring incremental "systematic costs" (such as the costs of partitioning data bases or establishing firewalls) which costs would not be reimbursed under Section 3(a), then the Provider shall provide the Recipient with a written explanation of such costs and the reason that they will be incurred. Thereafter, the Provider and the Recipient shall in good faith discuss the matter. If the Recipient agrees in writing to be responsible for such costs, then such amounts shall be included within the invoices contemplated by Section 3(a). If the Recipient declines to be responsible for such costs, then, notwithstanding any other provision of this Agreement, if such Service cannot be provided in a commercially reasonable manner absent the incurrence of such costs then the Provider may curtail or limit the Provider's provision of the related Service; provided, however, that such limitation or curtailment shall be the minimum reasonably necessary to allow, if possible, the provision of the related Service in a commercially reasonable manner absent the incurrence of such costs.

(c) In addition to amounts due pursuant to Section 3(a), if the provision of a Service results in the Provider's incurring reasonable incremental out-of-pocket expenses (such as travel expenses, accounting fees and the fees of outside counsel) other than the costs of retaining third-party providers to perform Services that ordinarily would be performed by the

Provider, such reasonable incremental out-of-pocket expenses shall be charged to and paid by the Recipient.

(d) No Provider shall be required to disburse its own funds for or on behalf of a Recipient. If the provision of a Service requires the Provider to disburse funds for or on behalf of a Recipient, the Provider may require the Recipient to advance such funds to the Provider prior to such disbursement.

4. Provision and Retention of and Access to Information.

(a) Where input or other information has been provided by the Recipient in the past in connection with a Service, the Recipient shall provide the Provider with information in the same general format and in accordance with the same schedule followed previously by the Recipient in furnishing such information to the Provider.

(b) The Provider will preserve all records supporting the amounts charged to the Recipient pursuant to Section 3 for a period of five years following the invoicing of such amounts, or such longer period as may be required by Applicable Law, and thereafter, not destroy or dispose of such records without giving notice to the Recipient of such pending disposal and offering the Recipient the right to obtain and retain such records at its expense. In the event the Recipient has not obtained such materials within 30 days following the receipt of notice from the Provider, the Provider may proceed to destroy or dispose of such materials without any liability. Subject to any disclosure, copying or other limitations imposed by Applicable Law and to any applicable privileges (including, without limitation, the attorney-client privilege), the Provider shall (i) at its expense afford the Recipient and its Representatives reasonable access upon reasonable prior notice during normal business hours to all such records and (ii) at the Recipient's expense provide copies of such records as the Recipient may reasonably request for any proper purpose (including, without limitation, in

connection with any judicial, quasi judicial, administrative, tax, audit or arbitration proceeding).

5. Performance Standard; Confidentiality.

(a) Nothing in this Interim Services Agreement shall be construed to require a Provider to provide a Service to a Recipient beyond the scope and content of such Service provided by the Provider to the Recipient immediately prior to the date of this Interim Services Agreement. Each Provider will perform each Service in the same general manner and according to the same standards that the Service is performed by the Provider for its own operations or for its Affiliates.

(b) The Provider will handle, and will cause its Affiliates and any third party provider retained by it to handle, all information disclosed to it or them by a Recipient which the Recipient informs the Provider that it considers proprietary and confidential in the same manner as the Provider handles its own information which it considers proprietary and confidential. The provisions of this Section 5(b) will not be deemed to prohibit the disclosure of confidential information concerning the operations or affairs of the Business by any of the Lockheed Martin Companies or by L-3, as the case may be, to the extent reasonably required (i) in connection with audits or other proceedings by or on behalf of a Governmental Authority or (ii) to the extent necessary to comply with any Applicable Law. Notwithstanding the foregoing, the provisions of this Section 5(b) shall not apply to information that (i) is or becomes publicly available other than as a result of a disclosure by the Provider, (ii) is or becomes available to the Provider on a non-confidential basis from a source that, to the Provider's knowledge, is not prohibited from disclosing such information by a legal, contractual or fiduciary obligation, or (iii) is or has been independently developed by the Provider (other than solely for the Recipient or its Affiliates).

6. Force Majeure. Neither party shall be liable for any loss or damage whatsoever arising out of any delay or failure in the performance of its obligations pursuant to this Interim Services Agreement which delay or failure results from events beyond the control of that party including but not limited to acts of God, acts or regulations of any Governmental Authority, war, accident, fire, flood, strikes, industrial disputes or inability to secure goods or materials nor shall any party be entitled to terminate this Interim Services Agreement in respect of any such delay or failure resulting from any such event.

7. Dispute Resolution. In the event of any dispute between a Provider and a Recipient with respect to the provision of any Service pursuant to this Interim Service Agreement, the individuals designated as the "Individual Responsible" for each party on the Schedule relating to such Schedule will use commercially reasonable efforts to resolve such dispute promptly. If such individuals are unable to resolve such dispute promptly, the dispute will be submitted to a member of senior management of each party. Such members of senior management will meet in person or by telephone conference at least once in the ten (10) day period following the submission of the dispute to them and will use commercially reasonable efforts to resolve such dispute promptly. If such members of senior management are unable to resolve such dispute within thirty (30) days of the submission of the dispute to them, the parties may exercise any rights or remedies available to them in the Transaction Documents.

8. Limited Liability. Each Provider and its Affiliates shall not be liable whether in negligence, breach of contract or otherwise for any loss, damage or expense suffered or incurred by a Recipient or a related person or entity arising out of or in connection with the rendering of a Service or any failure to provide a Service except to the extent that such loss, damage or expense is caused by the willful misconduct or gross negligence of the

Provider or any of its Affiliates. In no event shall any Provider or its Affiliates be liable for special, indirect, punitive, incidental or consequential losses, damages or expenses, including, without limitation, loss of profits.

9. Indemnification. The Recipient of each Service shall indemnify and hold harmless the Provider of such Service in accordance with Article XIII of the Transaction Agreement in respect of any Damages incurred or suffered by the Provider arising out of the provision of or failure to provide such Service unless the Provider shall have been finally determined by a court of competent jurisdiction to have been guilty of willful misconduct or gross negligence with respect thereto.

10. Term, Termination and Effect of Termination.

(a) This Interim Services Agreement shall become effective on the date hereof and, unless sooner terminated pursuant to the terms hereof, shall continue in effect until:

(i) in the case of each Service as to which the Communications Systems Business Unit is the Recipient, the date that is [one year] from the date hereof unless such term is extended for up to an additional six (6) months by the Communications Systems Business Unit giving written notice to the Provider of a Service of its election to extend the term of this Interim Services Agreement with respect to such Service (and all related Services) not less than sixty (60) days prior to the expiration of the initial one year term;

(ii) in the case of Services to be provided to LM in support of the Internal Revenue Service's audit of the tax returns of Loral Corporation, the date upon which such audit is completed;

(iii) in the case of Services to be provided by either party to the other with respect to the preparation and submission to the U.S. Government of indirect rates and negotiations with the U.S. Government with

respect to such submissions, until the date such negotiations are concluded; and

(iv) in all other cases, December 31, 1997.

(b) Each Recipient of a Service will use its reasonable commercial efforts to obtain or develop alternative sources for such Service to eliminate its dependency upon the Provider for such Service (and all related Services) as soon as practicable and, thereupon, to terminate such Service (and all related Services) pursuant to this Section 10(b). The Recipient of any Service may terminate any Service (provided that related Services may not be terminated in part) prior to the expiration of the term thereof by providing to the Provider thereof written notice of termination not less than sixty (60) days before the date of such earlier termination and the provision of such Service shall terminate at the end of the period of notice.

(c) The Provider of any Service may terminate any Service (provided that related Services may not be terminated in part) prior to the expiration of the term thereof if the Provider discontinues the provision of such Service to its own operations by providing to the Recipient thereof not less than sixty (60) days prior written notice of termination and the provision of such Service shall terminate at the end of the period of notice.

(d) In the case of any employee benefit administration Service to be provided by LM or its Affiliates to L-3 or its Affiliates with respect to an employee benefit plan or arrangement of L-3 or its Affiliates (each a "Duplicate Plan") that is modeled on an Employee Plan or Benefit Arrangement of a Lockheed Martin Company (each a "Model Plan"), the Provider may terminate any such employee benefit administration Service if, after the date hereof, (i) the Duplicate Plan is amended and the Model Plan is not so amended or (ii) the Model Plan is amended and the Duplicate Plan is not simultaneously so amended, provided that LM has given L-3 at least [sixty (60)] days prior written notice of the amendment or proposed amendment of the

Model Plan and, in either case, the effect is to increase the burden on the Provider in continuing to provide the Service.

(e) This Interim Services Agreement may be terminated in whole or in part (provided that related Services may not be terminated in part) as follows:

(i) by either party if the other party is in material breach of any provision of this Interim Services Agreement, provided that the party seeking to terminate this Interim Services Agreement for breach shall notify the other party of such breach and provide such other party with thirty (30) days to cure such breach;

(ii) by either party if its provision or receipt of any such Service is prohibited by Law or subjects it to increased regulation by any Governmental Authority;

(iii) by the Provider if it is required to obtain any license or permit not otherwise required of the Provider; or

(iv) by the Provider if the Recipient ceases to be an Affiliate of LM or L-3.

(f) Other than the parties' rights and obligations under Sections 4(b) and 5(b) hereof which will survive any termination of this Interim Services Agreement, whether in whole or in part, (i) neither the Provider nor the Recipient of any terminated Service shall have any rights or obligations hereunder with respect to any terminated Service after the effective date of such termination and (ii) no party shall have any rights or obligations hereunder after the termination of this Interim Services Agreement with respect to post-termination periods.

11. No Agency. Nothing in this Interim Services Agreement shall be deemed in any way or for any purpose to constitute either party an agent of the other party in the conduct of such party's business.

12. Sole Agreement. This Interim Services Agreement, including the Schedules attached hereto, represents the sole agreement of the parties with respect to the Services, and no waiver, alteration, or modification of any provision hereof shall be effective unless in writing and signed by authorized representatives of both LM and L-3. No provision in the Schedules shall be of any force and effect to the extent that it is inconsistent with the express terms of this Interim Services Agreement.

13. Notices.

(a) Any notice, request, instruction or other communication by a party concerning the administration of a Services to be provided under this Interim Services Agreement shall be directed to the individual designated on the applicable Schedule as the "Individual Responsible" with respect to the other party.

(b) Any notice required or permitted to be given under this Interim Services Agreement (other than notices specified in Section 13(a)) shall be in writing and shall be deemed to be given upon delivery in person or upon being deposited in the mail, postage prepaid, for mailing by certified or registered mail or upon being deposited with an overnight courier, charges prepaid, as follows:

If to LM:
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Attention: Marcus C. Bennett
Telecopy (301) 897-6083

with a copy to:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Attention: Frank H. Menaker, Jr.
Telecopy (301) 897-6791

if to Newco or L-3:
L-3 Communications Holdings, Inc.
600 Third Avenue
New York, New York 10016
Attention: Robert V. LaPenta

Telecopy: (212) 805-5470

with copies to:
L-3 Communications Holdings, Inc.
600 Third Avenue
New York, New York 10016
Attention: General Counsel
Telecopy: (212) 805-5494

The place for notice may be changed by notice sent in accordance with this Section 13.

14. Successors and Assigns. This Interim Services Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that this Interim Services Agreement may not be assigned in whole or in part (except in the case of an assignment to an Affiliate of LM or L-3 that remains an Affiliate of such party for the remainder of the term hereof) without the prior written consent of the other party hereto.

15. Third Party Beneficiaries. No provision of this Interim Services Agreement shall create any third party beneficiary rights in any Person.

16. Governing Law. This Interim Services Agreement shall be construed in accordance with and governed by the law of the State of New York.

17. Counterparts; Effectiveness. This Interim Services Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Interim Services Agreement shall be effective as of April 30, 1997.

IN WITNESS WHEREOF, the parties hereto have executed this Interim Services Agreement on the dates indicated below but as of the day and year first above written.

LOCKHEED MARTIN CORPORATION

Date:

BY:_____(SEAL)

L-3 COMMUNICATIONS HOLDINGS, INC.

Date:

BY:_____(SEAL)

L-3 COMMUNICATIONS CORPORATION

Date:

BY:_____(SEAL)

ASSIGNMENT AND ASSUMPTION OF LEASE

THIS ASSIGNMENT AND ASSUMPTION OF LEASE (this "Assignment") is dated as of April 29, 1997 among Lockheed Martin Tactical Systems, Inc., a New York corporation (the "Assignor"), L-3 COMMUNICATIONS CORPORATION, a Delaware corporation (the "Assignee"), and KSL, Division of Bonneville International, a Utah corporation (the "Landlord"), with reference to the following:

RECITALS

A. The Landlord, as landlord, and the Assignor, as tenant, executed a Lease Agreement dated November 1, 1995, (which, together with all modifications, amendments and supplements thereof, is hereinafter referred to collectively as the "Lease"), a copy of which is attached hereto and incorporated by reference as Exhibit A, pursuant to which Landlord leased to the Assignor and the Assignor leased from Landlord property and improvements described therein located in Oquirrh Mountains Range, Utah (the "Premises").

B. The Assignee is acquiring certain assets and assuming certain liabilities from the Assignor including the Assignor's rights, leasehold interest and obligations under the Lease.

C. In connection with such acquisition, the Assignor desires to assign the Lease to the Assignee, and the Assignee desires to accept the assignment of the Lease from the Assignor.

D. The Landlord has agreed to enter into this Assignment to, among other things, evidence its consent to such assignment of the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Assignor, the Assignee and the Landlord hereby covenant and agree as follows:

1. Assignment. The Assignor grants, assigns and transfers to the Assignee, its successors and assigns, all of the Assignor's right, title and interest in, to and under the Lease (including, without limitation, any options under the Lease and any rights to extend or renew the Lease) and the Assignee accepts from the Assignor all of the Assignor's right, title and interest in, to and under the Lease.

2. Assumption of Lease Obligation. The Assignee assumes and agrees to perform and fulfill all terms, covenants, conditions and obligations required to be performed and fulfilled by the Assignor under the Lease, including, without limitation, the obligation to make all payments due or payable on behalf of the Assignor under the Lease as they become due and payable.

3. Representations of Assignor and Landlord. The Assignor and the Landlord represent to the Assignee as follows:

(a) The Lease attached hereto as Exhibit A is a true, correct and complete copy of the Lease (including all modifications, amendments and supplements thereof) and the same are the only agreements between Landlord and the Assignor with respect to the subject matter thereof.

(b) The Lease is in full force and effect and, except for the modifications, amendments and supplements included in Exhibit A, the Lease has not been modified, amended or supplemented.

(c) Except as net forth on Exhibit B, no default by the Assignor or the Landlord has occurred and is continuing under the Lease, and no event has occurred and is continuing which with the giving of notice or the lapse of time or both would constitute a default thereunder.

(d) No minimum or base rent or other rental has been paid in advance (except for the current month).

(e) The monthly amount of base rent due under the Lease as of May 1, 1997, is $1,050, and the minimum or base rent and all other rentals and other payments due, owing and accruing under the Lease have been paid through April 30, 1997.

(f) The term of the Lease commenced on November 1, 1995, and the current term of the Lease expires on October 31, 1998.

4. Landlord's Consent.

The Landlord hereby consents to the Assignor's assignment of the Lease to the Assignee and the Assignee's assumption of the Lease. On and from the date of this Assignment forward, the Landlord hereby releases and relieves the Assignor from any and all liability and obligation under the Lease, and agrees to look solely to the Assignee for performance of the terms, covenants and conditions of tenant under the Lease.

5. Successors and Assigns. This Assignment shall be binding on and inure to the benefit of the parties hereto, and their respective heirs, personal representatives, successors and assigns, provided that this Section 5 shall not be construed to permit any future assignments of the Lease or subletting of the Premises except as permitted by the Lease.

6. Counterparts. This Assignment may be signed in counterpart and, as so executed, shall constitute a binding agreement.

7. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the state in which the Premises are located.

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

WITNESS/ATTEST:

_____

ASSIGNOR:

LOCKHEED MARTIN TACTICAL SYSTEMS, INC.

By:_____(SEAL)
Name: Stephen M. Piper
Title: Vice President and Assistant Secretary

ASSIGNEE:

L-3 COMMUNICATIONS CORPORATION

By:_____(SEAL)
Name: Michael T. Strianese
Title: Vice President, Finance and Controller

WITNESS/ATTEST:

_____

LANDLORD:

KSL, a division of BONNEVILLE INTERNATIONAL CORPORATION

By:_____(SEAL)
Name: Brent Robinson
Title: Chief Engineer

STATE OF NEW YORK, COUNTY OF NEW YORK, TO WIT:

On this 30th day of April, 1997, before me a notary public of said State, Stephen M. Piper, the undersigned officer, personally appeared Stephen M. Piper, who acknowledged himself to be a Vice President and Assistant Secretary of Lockheed Martin Tactical Systems, a New York corporation, and that he, as such Vice President and Assistant Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the Corporation by himself as a Vice President and Assistant Secretary.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____

Notary Public

My Commission Expires:

STATE OF NEW YORK, COUNTY OF NEW YORK, TO WIT:

On this 30th day of April, 1997, before me a notary public of said State, Michael T. Strianese, the undersigned officer, personally appeared Michael T. Strianese, who acknowledged himself to be a Vice President of L-3 Communications Corporation, a Delaware corporation, and that he, as such Vice President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as a Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____

Notary Public

My Commission Expires:

STATE OF UTAH, COUNTY OF SALT LAKE, TO WIT:

On this 28th day of April, 1997, before me a notary public of said State, Brent Robinson, the undersigned officer, personally appeared Brent Robinson, who acknowledged himself to be a Chief Engineer of KSL-TV, a Utah corporation, and that he, as such Chief Engineer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as a Chief Engineer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My Commission Expires:

EXHIBIT A

THE LEASE

TO: Julia Michael

FROM: Bruce J. Garner

DATE: January 10, 1996

SUBJECT: LCS Facilities Lease Request

Julia, attached is the Lease request documentation for the Far Field Test Antenna Range we have been discussing. I understand you will attached the general liability, automobile coverage and workers compensation insurance certification requested in paragraph 11 on page 6 of the lease. LCS will make the helicopter insurance requirement noted in the same paragraph a requirement of the purchase order(s) issued for that service.

If you have any questions you can call me at 801-594-2356.

Thank you for your assistance in this matter.

cc: W.B. Booker
D.C. Freeze
T.O. Miiller

LEASE AGREEMENT

This Lease Agreement (the "Agreement") is entered into this 1st day of November, 1995 between KSL, a division of Bonneville International Corporation, a Utah corporation, with its principal place of business at Broadcast House, 55 North 300 West, P. O. Box 1160, Salt Lake City, Utah 84110-1160 ("Lessor") and Loral Communication Systems, a New York corporation, with its principal place of business at 640 North 2200 West, Salt Lake City, Utah 84116 ("Lessee"), in light of the following circumstances:

Recitals

Whereas, Lessor is the owner of certain television and radio transmission facilities located in the Oquirrh mountain range in Salt Lake and Tooele counties, Utah at a location commonly known as Farnsworth Peak (the "Site"); and

Whereas, Lessee is engaged in the business of satellite communications and data link services; and

Whereas, Lessee desires to lease from Lessor certain space and equipment at the Site;

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, Lessor and Lessee agree as follows:

Terms and Conditions

1. Leased Premises. Lessor hereby leases to Lessee, and Lessee hereby accepts from Lessor, that certain space and equipment at the Site identified on Schedule A to this Agreement (the "Premises") for the location and operation of a test antenna of approximately six feet in length. A complete list of Lessee's equipment to be located at the Premises (the "Equipment") is attached to this Agreement as Schedule B.

2. During Furnished Items. During the term of this Agreement, Lessor shall furnish Lessee with the following:

A. Access to the Site over the access road available to Lessor for that purpose. Lessee understands that it will be subject to the same restrictions on the use of such road as may be imposed on Lessor from time to time by the entities controlling the property upon which the road is located, including the Kennecott Copper Corporation, Alpha Communications and Hercules Corporation;

B. Heat, light and toilet facilities at the Site;

C. The right to connect to the power load center at the Site for the operation of the Equipment. Lessee's use of electricity will be separately metered by Lessor. Lessor shall invoice Lessee monthly for such electrical usage at the established commercial rates of the Utah Power and Light Company, plus the lesser of ten percent of Lessee's monthly statement or $30.00 for administration and general expenses.

Invoices shall be payable within twenty days of the date of billing. In the event an invoice is more than ten days delinquent, Lessor, upon five days written notice, shall be entitled to cease supplying Lessee with electricity;

D. Upon Lessee's request, emergency service, if available, for the Equipment. Rates for emergency service are set forth in Schedule O to this Agreement and may be adjusted from time to time as determined by Lessor;

E. The right to make reasonable alterations, attach fixtures and erect additions to the Premises as required to operate the Equipment, but only so long as plans for such alterations, attachments or additions are submitted, along with a list of added and/or replaced materials, to Lessor for approval, which approval shall not be unreasonably withheld. In no event shall any of Lessee's alterations, attachments or additions interfere with the operation or work of Lessor or of other tenants at the Site;

F. Other services, such as the use of tools and parts owned by Lessor, at the rates listed on Schedule O, as such may be adjusted from time to time as determined by Lessor; and

G. Maintenance of the Site in good operating order.

3. Monthly Payments by Lessee. In exchange for the right to occupy the Premises and operate the Equipment, Lessee shall pay to Lessor the monthly rental payment and other fees set forth in Schedule C to this Agreement. The monthly rental payment shall be payable in advance on or before the first day of each calendar month at Lessor's principal place of business or at such other place or in such other manner as Lessor may from time to time direct; provided, however, that in the event the term of this Agreement shall commence on other than the first day of a calendar month or terminate on other than the last day of a calendar month, the monthly rental payment shall be prorated on a daily basis for such partial calendar month. Unless otherwise specifically set forth elsewhere in this Agreement, all other payments required to be made by Lessee to Lessor shall be paid by within twenty days of the date of invoice.

4. Other Costs. Lessee recognizes that additional expenses may be incurred by Lessor from time to time for the benefit of Lessee and other tenants at the Site, such as the cost of transporting various government inspectors, tax assessors, state and/or county officers/officials and the like to and from the Site. Lessee agrees to pay its share of such costs on a pro rata basis as calculated by Lessor. Lessor shall provide Lessee with proof of such costs, along with calculations for determining the amount charged to Lessee.

5. Compliance. Lessee's operations at the Site shall be in full compliance with all applicable laws, statutes, ordinances, rules and regulations of any governmental authority having jurisdiction over Lessor, Lessee or the Site, including, but not limited to, the Federal Communications Commission (the "FCC"). Lessee shall bear the cost and responsibility for all matters pertaining to its operations at the Site, including, but not limited to, applications, renewals, regular or special reports, discrepancy citations, inspections or any changes in equipment which may be required from time to time by the FCC or standards of good engineering practice.

Lessee shall protect all persons at the Site at all times from exposure to excessive non-ionizing radiation (as determined by the FCC, the Occupational Safety and Health Agency, the Environmental Protection Agency or any other governmental authority) which may be generated as a result of Lessee's operations. In the event Lessee's operations appear to be causing excessive non-ionizing radiation, Lessor shall have the right, but not the obligation, to take whatever action Lessor deems appropriate to reduce the amount of such radiation, including, but not limited to, the interruption of Lessee's operations or the reduction of Lessee's transmission power. Lessor shall invoice Lessee for the costs of any such action and Lessee shall promptly pay such amount within twenty days of the date of invoice.

6. Interference. Lessee acknowledges that Lessor reserves the right to grant space, premises, facilities and/or rights to third parties at the Site that are the same as or similar to those granted herein to Lessee. Lessee shall endeavor in good faith to conduct its activities in accordance with sound electronic and engineering practices and applicable FCC standards and will cooperate with Lessor and other tenants at the Site so as to anticipate and prevent Interference, as that term is defined below. A list of Tenants at the Site as of the commencement of this Agreement is attached hereto as Schedule S.

If Lessee's operations cause Interference, Lessee shall, at its sole cost and expense and without recourse to Lessor, cause any such Interference to be corrected within ten days following written notice thereof to Lessee. Pending correction, Lessee shall immediately cease the activity or remove the equipment causing the Interference. If Lessee fails to act within the given time frame, Lessor may cause the required corrections to be made. Lessor shall invoice Lessee for the costs of any such action and Lessee shall promptly pay such amount within twenty days of the date of invoice.

"Interference" shall be deemed to exist if (i) a final determination to that effect is made by an authorized representative of the FCC pursuant to its rules and regulations; (ii) a condition exists which constitutes interference within the meaning of the provisions of the rules and regulations of the FCC in effect at the time; or (iii) Lessor makes a good faith determination that its technical operations or the technical operations of any other tenants at the Site are being adversely affected by Lessee's activities.

7. Lessor Improvements. Lessor reserves the right to replace or install additional equipment at the Site necessary or desirable for its own operations. Lessor shall not be liable for any disruption of or interference to Lessee's operations by reason of such replacement or installation, but Lessor agrees to cooperate with Lessee and to use reasonable efforts to resolve in advance any problems that might arise in connection with these activities.

8. Assignment or Sublease. Lessee may not assign or transfer this Agreement or any interest therein, sublease any interest covered by this Agreement or encumber, hypothecate or otherwise give as security this Agreement or any interest therein without the prior written consent of Lessor, which consent shall not be unreasonably withheld. No assignment, transfer or sublease shall be effective as against Lessor for any purpose, unless Lessor shall have consented thereto in writing prior to such assignment, transfer or sublease and unless all sums due from Lessee,

together with any costs to Lessor to cover reasonable legal and other expenses of Lessor in connection with such assignment, transfer or sublease, shall have been paid to Lessor.

Each and every attempt to assign, sell, transfer or encumber this Agreement or any interest therein and each and every attempt to sublease any interest covered hereby in a manner contrary to that set forth in this paragraph may be deemed a default by Lessee hereunder.

Lessor's consent to one assignment, transfer or sublease by Lessee or acceptance of performance from an assignee, transferee or sublessee shall not be deemed a waiver by Lessor of the restrictions of this paragraph as to subsequent attempts to assign, transfer or sublet by Lessee or by Lessee's heirs, successors, assigns, transferees or sublessees. As used herein, the terms Lessor and Lessee shall be deemed to include their respective heirs, successors, assigns, transferees or sublessees.

The terms, conditions and covenants contained in this Agreement shall apply to, inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors, assigns, transferees and sublessees.

Lessor shall have the right to transfer and assign, in whole or in part, all of its rights and obligations hereunder and in the Site and in such event Lessor shall be released from any further obligations hereunder and the successor-in-interest of Lessor shall have all the rights and obligations hereunder and in the Site with respect to Lessee.

9. Term. The initial term of this Agreement shall begin on November 1, 1995 and shall end on October 31, 1996. This Agreement shall thereafter be renewed for up to three additional two year periods (from November 1, 1996 through October 31, 1998; from November 1, 1998 through October 31, 2000; and from November 1, 2000 through October 31, 2002, respectively) upon the same terms and conditions set forth herein unless Lessee provides Lessor with written notice at least ninety days prior to the expiration of the then current term.

10. Default by Lessee. The following events shall be deemed to be events of default by Lessee under this Agreement (each such event of default is hereinafter referred to as an "Event of Default"):

A. Lessee shall fail to timely pay any monthly rental payment as referenced in paragraph 3 above or any other sum of money due hereunder and such failure shall continue for a period of ten days;

B. Lessee shall fail to comply with any provision of this Agreement not requiring the payment of money, all of which provisions shall be deemed material, and such failure shall continue for a period of twenty days after written notice of such default is delivered to Lessee;

C. Lessee shall become insolvent or fail to pay its debts as they become due or Lessee notifies Lessor that it anticipates either condition;

D. Lessee takes any action to file a petition under any section or chapter of the United States Bankruptcy Code or under any similar law or

statute of the United States or any state thereof or a petition shall be filed against Lessee under any such statute or Lessee or any creditor of Lessee notifies Lessor that it knows such a petition will be filed or Lessee notifies Lessor that it expects such a petition to be filed; or

E. A receiver or trustee shall be appointed for Lessee's leasehold interest in the Premises or for all or a substantial part of Lessee's assets.

Upon the occurrence of any Event of Default, Lessor may at its option and without further notice to all other remedies given hereunder or by law or in equity, do any one or more of the following: (i) terminate this Agreement, in which event Lessee shall immediately surrender possession of the Premises to Lessor; (ii) enter upon the Premises and expel or remove Lessee's Equipment therefrom, with or without having terminated this Agreement; and (iii) change or re-key all locks to entrances to the Site and Lessor shall have no obligation to give Lessee notice thereof or to provide Lessee with a new key to the Site.

The exercise by Lessor of any one or more remedies hereunder shall not constitute an acceptance of the surrender of the Premises by Lessee. Lessee acknowledges that a surrender of the Premises can be effected only by a written agreement between Lessor and Lessee.

If Lessor terminates this Agreement by reason of an Event of Default, Lessee shall pay to Lessor the sum of (i) the cost of recovering the Premises; (ii) the unpaid monthly payments and all other indebtedness accrued hereunder to the date of such termination; (iii) to the extent the same were not paid, the cost of repairing, altering or otherwise putting the Premises into a condition acceptable to a new tenant or tenants (if Lessor elects to so relet) (collectively, the "Reletting Expenses"); (iv) all expenses incurred by Lessor in enforcing Lessor's remedies, including attorneys' fees and court costs; (v) the total monthly payments and other benefits which Lessor would have received under this Agreement for the remainder of the term, minus any net sums thereafter received by Lessor through reletting the Premises during such period; and (vi) any other damages or relief which Lessor may be entitled to at law or in equity. Lessee shall not be entitled to any excess rent obtained by reletting the Premises.

If Lessor repossesses the Premises without terminating this Agreement by reason of an Event of Default, then Lessee shall pay to Lessor the sum of (i) the cost of recovering the Premises; (ii) the unpaid monthly payments and all other indebtedness accrued hereunder to the date of such repossession; (iii) the Reletting Expenses; (iv) all expenses incurred by Lessor in enforcing Lessor's remedies, including attorneys' fees and court costs; (v) the total monthly payments and other benefits which Lessor would have received under this Agreement for the remainder of the term, minus any net sums thereafter received by Lessor through reletting the Premises during such period; and (vi) any other damages or relief which Lessor may be entitled to at law or in equity. Re-entry by Lessor will not affect the obligations of Lessee for the unexpired term of this Agreement. Lessee shall not be entitled to any excess rent obtained by reletting the Premises. Actions to collect amounts due by Lessee may be brought on one or more occasions without the necessity of Lessor's waiting until the expiration of the term of this Agreement.

Upon termination of this Agreement or repossession of the Premises due to an Event of Default, Lessor shall not be obligated to relet or attempt to relet the Premises or any portion thereof or to collect rent after reletting, but Lessor shall have the option to relet the whole or any portion of the Premises for any period to any tenant and for any use and purpose.

11. Insurance. Lessee shall at its own cost and expense procure and maintain general liability insurance coverage and automobile coverage in the face amount of at least $1,000,000.00 per occurrence and workers compensation insurance as prescribed by Utah state law. A certificate of insurance naming Lessor as an additional insured shall be attached to this Agreement as Schedule I. In addition, Lessee shall use only certified and insured helicopter carriers for trips and from the Site. Such carriers shall carry liability insurance in the face amount of at least $5,000,000.00 per occurrence. All such insurance shall cover Lessee's employees, agents and invitees while in, or about the Site and while traveling to and from the Site, including losses attributable to the presence of the Equipment, Lessee's employees, agents or invitees while in, on or about the Site. Lessee shall be solely responsible for procuring and maintaining property insurance on the Equipment.

12. Indemnification. Lessee shall indemnify, defend and hold harmless Lessor and any officer, director, employee, contractor, agent or affiliate of Lessor (collectively, a "Lessor Related Party") from and against any and all liabilities, obligations, damages, claims, suits, losses, causes of action, liens, judgments and expenses (including court costs, attorneys' fees and costs of investigation) or any kind, nature or description resulting from any injuries to or death of any person or any damage to the Site which either (i) arises from or is claimed to arise from any act, omission or negligence of Lessee or any employee, officer, contractor, agent, subtenant, guest, licensee or invitee of Lessee; (ii) arises from a breach, violation or nonperformance of any term, provision, covenant or agreement of Lessee hereunder or a breach or violation by Lessee of any court order or any law, regulation or ordinance of any federal, state or local authority; or (iii) arises from the activities of Lessee in and around the Site or the operations or conduct of Lessee's business upon the Site (collectively, the "Claims"), except to the extent such Claims are directly caused by the gross negligence or willful misconduct of Lessor. If any such Claim is made against Lessor, Lessee shall at its sole cost and expense defend such Claim by or through attorneys satisfactory to Lessor. In resolving or settling any Claim, Lessee shall obtain a release of such Claim made against Lessor or any Lessor Related Party. The indemnity obligations of Lessee are in addition to Lessee's obligations to obtain and maintain insurance as otherwise provided herein.

Lessee specifically agrees to look solely to Lessor's interest in the Site for the recovery of any judgment against Lessor.

13. Limits on Liability. Lessor shall have no liability to Lessee or any other party for any loss allegedly occasioned by the nontransmission or partial transmission of Lessee's data or damage to the Equipment by reason of the physical collapse of a tower or antennas, breakdown of a transmitter or its components, failure or inability of Utah Power and Light Company to supply electrical power, failure of Lessor's emergency generator, acts of God, sabotage, earthquake, fire, theft, burglary, windstorm or any other hazard (natural or man-made), strikes or walkouts,cancellation of Lessee's licenses or any other cause beyond Lessor's control. Lessor shall have no

liability to Lessee or any other party and Lessee shall indemnify Lessor from and against all claims, costs and expenses for non-ionizing radiation claimed to originate as a result of Lessee's operations at the Site.

14. Lessor's Facilities. Lessor shall have first call on personnel and all Lessor's equipment at the Site, which personnel and/or equipment may be temporarily limited by reason of personnel or power shortage and/or demand for reconstruction following a general breakdown caused by acts within or beyond Lessor's control. Lessor's emergency power supply equipment at the Site will not be available to Lessee in the event of a Utah Power and Light Company failure, except as otherwise provided in Schedule O.

15. Property Tax. Lessee shall be responsible for any property taxes which arise from the operation of the Equipment at the Site. Lessee acknowledges that the Equipment may be located in Salt Lake and/or Tooele counties.

16. Late Charges. Any amount owing to Lessor from Lessee under this Agreement that is thirty days past due shall be assessed a late charge of $50.00 per invoice per month for each invoice totaling less than $500.00 and a late charge of $200.00 per invoice per month for each invoice that is equal to or greater than $500.00.

17. Road Maintenance Charge. Lessee acknowledges and agrees that an annual charge shall be assessed by Lessor to Lessee to cover access roadway maintenance and repairs. This cost shall be prorated among the various users of the Farnsworth Peak/Little Farnsworth Peak areas and is due and payable from Lessee on or before July 1st annually.

18. Notices. All notices to be given under this Agreement shall be in writing and shall be deemed to have been given if delivered personally, mailed by certified mail, return receipt requested, or delivered by recognized commercial courier to the other party at its last known business address.

19. Governing Law. This Agreement shall be interpreted under and governed by the laws of the State of Utah.

20. Environmental Representations and Warranties. Neither Lessee nor Lessee's agents, contractors, authorized representatives or employees shall engage in any of the following prohibited activities in, on or about the Site:

A. Cause or permit any releases, discharges or spills of Hazardous Material on or from the Site;

B. Cause or permit any manufacturing, holding, handling, retaining, transporting spilling, leaking, treating, disposing or dumping of Hazardous Material in or on any portion of the Site;

C. Cause or permit to be located on the Site any underground or above-ground tanks for the storage of fuel oil, gasoline and/or other petroleum products or by-products;

D. Cause or permit any releases, discharges or spills of fuel oil, gasoline and/or other petroleum products or by-products; or

E. Otherwise place, keep, or maintain, or allow to be placed, kept or maintained, any Hazardous Material on any portion of the Site.

For purposes of this paragraph, "Hazardous Material" means any radioactive, hazardous or toxic substance, material, waste or similar terms, including, without limitation, petroleum and petroleum products, the presence of which at the Site or the discharge or emission of which from the Site or the collection, storage, treatment or disposal of which is regulated by governmental requirements or regulations.

21. Waiver. The parties agree that the waiver of any breach of this Agreement by either party shall in no event constitute a waiver as to any further breach.

22. Headings. Headings on each paragraph of this Agreement are for reference purposes only and shall not be deemed to have any substantive effect.

23. Entire Agreement; Construction: This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, contracts or other arrangements. No amendments, modifications or supplements to this Agreement shall be binding unless executed in writing by the parties hereof.

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

KSL, a Division of Bonneville International Corporation

By:_____

Its:_____

Loral Communication Systems

By:_____

Its:_____

Schedule A

The Premises are marked on the attached drawing of the site. The premises include approximately 210 square feet of space in the attic above the kitchen in the Transmitter Building shown in the attached drawing for Lessee to install one six foot antenna with associated equipment of Schedule B.

Attachment: Drawing KSLFPSD002 Site Plot Farnsworth Peak

Schedule B
List of Lessee's Equipment

Item	Description	Qty.
1	HP-83751B Frequency Generator	1
2	HP-8563E Spectrum Analyzer	1
3	HP-3488A Switch Control Unit	1
4	486 Personal Computer	1
5	Video Monitor	1
6	Parabolic Reflector, 6 ft. diameter	1
7	Antenna Feeds (C, X, and Ku)	3
8	Az/El Antenna Positioner	1
9	Antenna Positioner Control Unit	1
10	3 dB 90 degree Coaxial Hybrid	1
11	Coaxial Line Stretcher	2
12	Wideband Coaxial Low Noise Amplifier	1
13	Power Meter	1
14	Directional Coupler	1
15	24V DC Power Supply	1
16	Misc. Cables and Connectors	

Schedule C

For the period November 1, 1995 through October 31, 1996, Lessee's monthly rental payment shall be $1,100.00. If this Agreement is extended as set forth in paragraph 9, beginning November 1, 1996 and continuing every year thereafter, the monthly rental payment shall be increased at the rate of five percent per year.

If Lessee increases and/or modifies the Equipment or otherwise materially changes the nature of its operations at the Site, Lessor shall be entitled to increase the monthly rental payment accordingly.

The above-described monthly rental payment shall include the right of access to one telephone line to be provided by Lessor to Lessee.

Schedule I
Certificate of Insurance

Schedule O

1. Requested Emergency Engineering/Technical Services. $50.00 per hour. Hours shall be invoiced in tenths, with a minimum charge per request of two-tenths of an hour.

2. Emergency Power Generator Use. This service is available only to the capacity of the system. Tenants have priority based on their length of time at the Site. Cost is $8.00/KVA (peak demand rate) per month. Should operation time exceed fifty hours per year, an additional charge will be made to cover the cost of additional fuel.

3. Use of Tools and Workshop. The room known as the PI room is equipped with a work bench and tools, tool board, ladders, drill press, grinder, extension power cords, goggles and face shield which may be used by Lessee. Lessee shall be responsible for any loss, breakage or damage. The cabinet labeled "Tenant Use" contains a minimal assortment of electronic test equipment that is also available for use.

4. Specialized Equipment and Supplies. An additional charge will be made for use of some items. The listing of such items is posted on the bulletin board at the Site and use of these items is subject to permission of Lessor's engineer on site.

5. Use of Parts and Supplies. Lessor does not stock, inventory, sell or supply parts. In an emergency, the following rules apply:

A. The requested item must be available and not in immediate need by Lessor;

B. Approval to use the item must be obtained from Lessor's engineer on site; and

C. No exchange of money or parts will be allowed, but replacement with identical and new parts on the basis of replace two items for any one used within seven days.

Schedule S
Seniority

1.	KSL-TV (Operations Began)	1952
2.	KSFI (FM)	Nov. 1, 1957
3.	KISN (FM)	Nov. 11, 1968
4.	U.S. Government, Secret Service	Jun. 1, 1972
5.	KSOP (FM)	Sep. 15, 1973
6.	KRSP (FM)	Dec. 14, 1973
7.	Utah Transit Authority	Nov. 3, 1976
8.	Petersen Electric	Apr. 4, 1977
9.	KBUL (FM)	Jul. 1, 1977
10.	KBER (FM)	Jul. 1, 1977
11.	Utah Transit Authority	Dec. 1, 1978
12.	KBZN (FM)	Feb. 1, 1979
13.	KRCL (FM)	Aug. 30, 1979
14.	Questar	Jun. 20, 1981
15.	Precision Electronics	Jun. 26, 1981
16.	KKAT (FM)	Mar. 23, 1983
17.	GTE Airfone	Sep. 14, 1990
18.	KUMT (FM)	Aug. 20, 1991
19.	Technivision Inc., dba Omnivision	Mar. 1992
20.	Clairtel Communications Group, L.P.	Jun. 15, 1992
21.	SMR of Utah, Inc.	Nov. 15, 1992
22.	Family Stations, Inc.	July 6, 1994
23.	Loral Communications Systems	Nov. 1, 1995

LEASE AGREEMENT

This Lease Agreement (the "Agreement") is entered into this 18th day of March, 1996 to be effective November 1, 1995, between KSL, a division of Bonneville International Corporation, a Utah corporation, with its principal place of business at Broadcast House, 55 North 300 West, P. O. Box 1160, Salt Lake City, Utah 84110-1160 ("Lessor") and Loral Corporation, a New York corporation, with its principal place of business at 600 Third Avenue, New York, New York 10016 ("Lessee"), in light of the following circumstances:

Recitals

Whereas, Lessor is the owner of certain television and radio transmission facilities located in the Oquirrh mountain range in Salt Lake and Tooele counties, Utah at a location commonly known as Farnsworth Peak (the "Site"); and

Whereas, Lessee is engaged in the business of satellite communications and data link services; and

Whereas, Lessee desires to lease from Lessor certain space and equipment at the Site;

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, Lessor and Lessee agree as follows:

Terms and Conditions

1. Leased Premises. Lessor hereby leases to Lessee, and Lessee hereby accepts from Lessor, that certain space and equipment at the Site identified on Schedule A to this Agreement (the "Premises") for the location and operation of a test antenna of approximately six feet in length. A complete list of Lessee's equipment to be located at the Premises (the "Equipment") is attached to this Agreement as Schedule B.

2. Lessor Furnished Items. During the term of this Agreement, Lessor shall furnish Lessee with the following:

A. Access to the Site over the access road available to Lessor for that purpose. Lessee understands that it will be subject to the same restrictions on the use of such road as may be imposed on Lessor from time to time by the entities controlling the property upon which the road is located, including the Kennecott Copper Corporation, Alpha Communications and Hercules Corporation;

B. Heat, light and toilet facilities at the Site;

C. The right to connect to the power load center at the Site for the operation of the Equipment. Lessee's use of electricity will be separately metered by Lessor. Lessor shall invoice Lessee monthly for such electrical usage at the established commercial rates of the Utah Power and Light Company, plus the lesser of ten percent of Lessee's monthly statement or $30.00 for administration and general expenses.

Invoices shall be payable within twenty days of the date of billing. In the event an invoice is more than ten days delinquent, Lessor, upon five days written notice, shall be entitled to cease supplying Lessee with electricity;

D. Upon Lessee's request, emergency service, if available, for the Equipment. Rates for emergency service are set forth in Schedule O to this Agreement and may be adjusted from time to time as determined by Lessor;

E. The right to make reasonable alterations, attach fixtures and erect additions to the Premises as required to operate the Equipment, but only so long as plans for such alterations, attachments or additions are submitted, along with a list of added and/or replaced materials, to Lessor for approval, which approval shall not be unreasonably withheld. In no event shall any of Lessee's alterations, attachments or additions interfere with the operation or work of Lessor or of other tenants at the Site;

F. Other services, such as the use of tools and parts owned by Lessor, at the rates listed on Schedule O, as such may be adjusted from time to time as determined by Lessor; and

G. Maintenance of the Site in good operation order.

3. Monthly Payments by Lessee. In exchange for the right to occupy the Premises and operate the Equipment, Lessee shall pay to Lessor the monthly rental payment and other fees set forth in Schedule C to this Agreement. The monthly rental payment shall be payable in advance on or before the first day of each calendar month at Lessor's principal place of business or at such other place or in such other manner as Lessor may from time to time direct; provided, however, that in the event the term of this Agreement shall commence on other than the first day of a calendar month or terminate on other than the last day of a calendar month, the monthly rental payment shall be prorated on a daily basis for such partial calendar month. Unless otherwise specifically set forth elsewhere in this Agreement, all other payments required to be made by Lessee to Lessor shall be paid by within twenty days of the date of invoice.

4. Other Costs. Lessee recognizes that additional expenses may be incurred by Lessor from time to time for the benefit of Lessee and other tenants at the Site, such as the cost of transporting various government inspectors, tax assessors, state and/or county officers/officials and the like to and from the Site. Lessee agrees to pay its share of such costs on a pro rata basis as calculated by Lessor. Lessor shall provide Lessee with proof of such costs, along with calculations for determining the amount charged to Lessee.

5. Compliance. Lessee's operations at the Site shall be in full compliance with all applicable laws, statutes, ordinances, rules and regulations of any governmental authority having jurisdiction over Lessor, Lessee or the Site, including, but not limited to, the Federal Communications Commission (the "FCC"). Lessee shall bear the cost and responsibility for all matters pertaining to its operations at the Site, including, but not limited to, applications, renewals, regular or special reports, discrepancy citations, inspections or any changes in equipment which may be required from time to time by the FCC or standards of good engineering practice.

Lessee shall protect all persons at the Site at all times from exposure to excessive non-ionizing radiation (as determined by the FCC, the Occupational Safety and Health Agency, the Environmental Protection Agency or any other governmental authority) which may be generated as a result of Lessee's operations. In the event Lessee's operations appear to be causing excessive non-ionizing radiation, Lessor shall have the right, but not the obligation, to take whatever action Lessor deems appropriate to reduce the amount of such radiation, including, but not limited to, the interruption of Lessee's operations or the reduction of Lessee's transmission power. Lessor shall invoice Lessee for the costs of any such action and Lessee shall promptly pay such amount within twenty days of the date of invoice.

6. Interference. Lessee acknowledges that Lessor reserves the right to grant space, premises, facilities and/or rights to third parties at the Site that are the same as or similar to those granted herein to Lessee. Lessee shall endeavor in good faith to conduct its activities in accordance with sound electronic and engineering practices and applicable FCC standards and will cooperate with Lessor and other tenants at the Site so as to anticipate and prevent Interference, as that term is defined below. A list of Tenants at the Site as of the commencement of this Agreement is attached hereto as Schedule S.

If Lessee's operations cause Interference, Lessee shall, at its sole cost and expense and without recourse to Lessor, cause any such Interference to be corrected within ten days following written notice thereof to Lessee. Pending correction, Lessee shall immediately cease the activity or remove the equipment causing the Interference. If Lessee fails to act within the given time frame, Lessor may cause the required corrections to be made. Lessor shall invoice Lessee for the costs of any such action and Lessee shall promptly pay such amount within twenty days of the date of invoice.

"Interference" shall be deemed to exist if (i) a final determination to that effect is made by an authorized representative of the FCC pursuant to its rules and regulations; (ii) a condition exists which constitutes interference within the meaning of the provisions of the rules and regulations of the FCC in effect at the time; or (iii) Lessor makes a good faith determination that its technical operations or the technical operations of any other tenants at the Site are being adversely affected by Lessee's activities.

7. Lessor Improvements. Lessor reserves the right to replace or install additional equipment at the Site necessary or desirable for its own operations. Lessor shall not be liable for any disruption of or interference to Lessee's operations by reason of such replacement or installation, but Lessor agrees to cooperate with Lessee and to use reasonable efforts to resolve in advance any problems that might arise in connection with these activities.

8. Assignment or Sublease. Lessee may not assign or transfer this Agreement or any interest therein, sublease any interest covered by this Agreement or encumber, hypothecate or otherwise give as security this Agreement or any interest therein without the prior written consent of Lessor, which consent shall not be unreasonably withheld. No assignment, transfer or sublease shall be effective as against Lessor for any purpose, unless Lessor shall have consented thereto in writing prior to such assignment, transfer or sublease and unless all sums due from Lessee,

together with any costs to Lessor to cover reasonable legal and other expenses of Lessor in connection with such assignment, transfer or sublease, shall have been paid to Lessor.

Each and every attempt to assign, sell, transfer or encumber this Agreement or any interest therein and each and every attempt to sublease any interest covered hereby in a manner contrary to that set forth in this paragraph may be deemed a default by Lessee hereunder.

Lessor's consent to one assignment, transfer or sublease by Lessee or acceptance of performance from an assignee, transferee or sublessee shall not be deemed a waiver by Lessor of the restrictions of this paragraph as to subsequent attempts to assign, transfer or sublet by Lessee or by Lessee's heirs, successors, assigns, transferees or sublessees. As used herein, the terms Lessor and Lessee shall be deemed to include their respective heirs, successors, assigns, transferees or sublessees.

The terms, conditions and covenants contained in this Agreement shall apply to, inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors, assigns, transferees and sublessees.

Lessor shall have the right to transfer and assign, in whole or in part, all of its rights and obligations hereunder and in the Site and in such event Lessor shall be released from any further obligations hereunder and the successor-in-interest of Lessor shall have all the rights and obligations hereunder and in the Site with respect to Lessee.

9. Term. The initial term of this Agreement shall begin on November 1, 1995 and shall end on October 31, 1996. This Agreement shall thereafter be renewed for up to three additional two year periods (from November 1, 1996 through October 31, 1998; from November 1, 1998 through October 31, 2000; and from November 1, 2000 through October 31, 2002, respectively) upon the same terms and conditions set forth herein, provided Lessee gives Lessor written notice at least ninety days prior to the expiration of the then current term.

10. Default by Lessee. The following events shall be deemed to be events of default by Lessee under this Agreement (each such event of default is hereinafter referred to as an "Event of Default"):

A. Lessee shall fail to timely pay any monthly rental payment as referenced in paragraph 3 above or any other sum of money due hereunder and such failure shall continue for a period of ten days after written notice of such default is delivered to Lessee;

B. Lessee shall fail to comply with any provision of this Agreement not requiring the payment of money, all of which provisions shall be deemed material, and such failure shall continue for a period of twenty days after written notice of such default is delivered to Lessee;

C. Lessee shall become insolvent or fail to pay its debts as they become due or Lessee notifies Lessor that it anticipates either condition;

D. Lessee takes any action to file a petition under any section or chapter of the United States Bankruptcy Code or under any similar law or site of the United States or any state thereof or a petition shall be filed against Lessee under any such statute or Lessee or any creditor of Lessee notifies Lessor that it knows such a petition will be filed or Lessee notifies Lessor that it expects such a petition to be filed; or

E. A receiver or trustee shall be appointed for Lessee's leasehold interest in the Premises or for all or a substantial part of Lessee's assets.

Upon the occurrence of any Event of Default, Lessor may at its option and without further notice to Lessee and in addition to all other remedies given hereunder or by law or in equity, do any one or more of the following: (i) terminate this Agreement, in which event Lessee shall immediately surrender possession of the Premises to Lessor; (ii) enter upon the Premises and expel or remove Lessee's Equipment therefrom, with or without having terminated this Agreement; and (iii) change or re-key all locks to entrances to the Site and Lessor shall have no obligation to give Lessee notice thereof or to provide Lessee with a new key to the Site.

The exercise by Lessor of any one or more remedies hereunder shall not constitute an acceptance of the surrender of the Premises by Lessee. Lessee acknowledges that a surrender of the Premises can be effected only by a written agreement between Lessor and Lessee.

If Lessor terminates this Agreement by reason of an Event of Default, Lessee shall pay to Lessor the sum of (i) the cost of recovering the Premises; (ii) the unpaid monthly payments and all other indebtedness accrued hereunder to the date of such termination; (iii) to the extent the same were not paid, the cost of repairing, altering or otherwise putting the Premises into a condition acceptable to a new tenant or tenants (if Lessor elects to so relet) (collectively, the "Reletting Expenses"); (iv) all expenses incurred by Lessor in enforcing Lessor's remedies, including attorneys' fees and court costs; (v) the total monthly payments and other benefits which Lessor would have received under this Agreement for the remainder of the term, minus any net sums thereafter received by Lessor through reletting the Premises during such period; and (vi) any other damages or relief which Lessor may be entitled to at law or in equity. Lessee shall not be entitled to any excess rent obtained by reletting the Premises.

If Lessor repossesses the Premises without terminating this Agreement by reason of an Event of Default, then Lessee shall pay to Lessor the sum of (i) the cost of recovering the Premises; (ii) the unpaid monthly payments and all other indebtedness accrued hereunder to the date of such repossession; (iii) the Reletting Expenses; (iv) all expenses incurred by Lessor in enforcing Lessor's remedies, including attorneys' fees and court costs; (v) the total monthly payments and other benefits which Lessor would have received under this Agreement for the remainder of the term, minus any net sums thereafter received by Lessor through reletting the Premises during such period; and (vi) any other damages or relief which Lessor may be entitled to at law or in equity. Re-entry by Lessor or will not affect the obligations of Lessee for the unexpired term of this Agreement. Lessee shall not be entitled to any excess rent obtained by reletting the Premises. Actions to collect amounts due by Lessee may be brought on one or more occasions without the necessity of Lessor's waiting until the expiration of the term of this Agreement.

Upon termination of this Agreement or repossession of the Premises due to an Event of Default, Lessor shall not be obligated to relet or attempt to relet the Premises or any portion thereof or to collect rent after reletting, but Lessor shall have the option to relet the whole or any portion of the Premises for any period to any tenant and for any use and purpose.

11. Insurance. Lessee shall at its own cost and expense procure and maintain general liability insurance coverage and automobile coverage in the face amount of at least $1,000,000.00 per occurrence and workers compensation insurance as prescribed by Utah state law. A certificate of insurance naming Lessor as an additional insured shall be attached to this Agreement as Schedule I. In addition, Lessee shall use only certified and insured helicopter carriers for trips and from the Site. Such carriers shall carry liability insurance in the face amount of at least $5,000,000.00 per occurrence. All such insurance shall cover Lessee's employees, agents and invitees while in, on or about the Site and while traveling to and from the Site, including losses attributable to the presence of the Equipment, Lessee's employees, agents or invitees while in, on or about the Site. Lessee shall be solely responsible for procuring and maintaining property insurance on the Equipment.

12. Indemnification. Lessee shall indemnify, defend and hold harmless Lessor and any officer, director, employee, contractor, agent or affiliate of Lessor (collectively, a "Lessor Related Party") from and against any and all liabilities, obligations, damages, claims, suits, losses, causes of action, liens, judgments and expenses (including court costs, attorneys' fees and costs of investigation) or any kind, nature or description resulting from any injuries to or death of any person or any damage to the Site which either (i) arises from or is claimed to arise from any act, omission or negligence of Lessee or any employee, officer, contractor, agent, subtenant, guest, licensee or invitee of Lessee; (ii) arises from a breach, violation or nonperformance of any term, provision, covenant or agreement of Lessee hereunder or a breach or violation by Lessee of any court order or any law, regulation or ordinance of any federal, state or local authority; or (iii) arises from the activities of Lessee in and around the Site or the operations or conduct of Lessee's business upon the Site (collectively, the "Claims"), except to the extent such Claims are directly caused by the gross negligence or willful misconduct of Lessor. If any such Claim is made against Lessor, Lessee shall at its sole cost and expense defend such Claim by or through attorneys satisfactory to Lessor. In resolving or settling any Claim, Lessee shall obtain a release of such Claim made against Lessor or any Lessor Related Party. The indemnity obligations of Lessee are in addition to Lessee's obligations to obtain and maintain insurance as otherwise provided herein.

Lessee specifically agrees to look solely to Lessor's interest in the Site for the recovery of any judgment against Lessor.

13. Limits on Liability. Lessor shall have no liability to Lessee or any other party for any loss allegedly occasioned by the nontransmission or partial transmission of Lessee's data or damage to the Equipment by reason of the physical collapse of a tower or antennas, breakdown of a transmitter or its components, failure or inability of Utah Power and Light Company to supply electrical power, failure of Lessor's emergency generator, acts of God, sabotage, earthquake, fire, theft, burglary, windstorm or any other hazard (natural or man-made), strikes or walkouts,cancellation of Lessee's licenses or any other cause beyond Lessor's control. Lessor shall have no

liability to Lessee or any other party and Lessee shall indemnify Lessor from and against all claims, costs and expenses for non-ionizing radiation claimed to originate as a result of Lessee's operations at the Site.

14. Lessor's Facilities. Lessor shall have first call on personnel and all Lessor's equipment at the Site, which personnel and/or equipment may be temporarily limited by reason of personnel or power shortage and/or demand for reconstruction following a general breakdown caused by acts within or beyond Lessor's control. Lessor's emergency power supply equipment at the Site will not be available to Lessee in the event of a Utah Power and Light Company failure, except as otherwise provided in Schedule O.

15. Property Tax. Lessee shall be responsible for any property taxes which arise from the operation of the Equipment at the Site. Lessee acknowledges that the Equipment may be located in Salt Lake and/or Tooele counties.

16. Late Charges. Any amount owing to Lessor from Lessee under this Agreement that is thirty days past due shall be assessed a late charge of $50.00 per invoice per month for each invoice totaling less than $500.00 and a late charge of $200.00 per invoice per month for each invoice that is equal to or greater than $500.00.

17. Road Maintenance Charge. Lessee acknowledges and agrees that an annual charge shall be assessed by Lessor to Lessee to cover access roadway maintenance and repairs. This cost shall be prorated among the various users of the Farnsworth Peak/Little Farnsworth Peak areas and is due and payable from Lessee on or before July 1st annually.

18. Notices. All notices to be given under this Agreement shall be in writing and shall be deemed to have been given if delivered personally, mailed by certified mail, return receipt requested, or delivered by recognized commercial courier to the other party at its last known business address.

19. Governing Law. This Agreement shall be interpreted under and governed by the laws of the State of Utah.

20. Environmental Representations and Warranties. Neither Lessee nor Lessee's agents, contractors, authorized representatives or employees shall engage in any of the following prohibited activities in, on or about the Site:

A. Cause or permit any releases, discharges or spills of Hazardous Material on or from the Site;

B. Cause or permit any manufacturing, holding, handling, retaining, transporting spilling, leaking, treating, disposing or dumping of Hazardous Material in or on any portion of the Site;

C. Cause or permit to be located on the Site any underground or above-ground tanks for the storage of fuel oil, gasoline and/or other petroleum products or by-products;

D. Cause or permit any releases, discharges or spills of fuel oil, gasoline and/or other petroleum products or by-products; or

E. Otherwise place, keep, or maintain, or allow to be placed, kept or maintained, any Hazardous Material on any portion of the Site.

For purposes of this paragraph, "Hazardous Material" means any radioactive, hazardous or toxic substance, material, waste or similar terms, including, without limitation, petroleum and petroleum produce, the presence of which at the Site or the discharge or emission of which from the Site or the collection, storage, treatment or disposal of which is regulated by governmental requirements or regulations.

The last paragraph 12 of this Lease shall not be applicable to any representation, warranty or indemnification given to Lessee by Lessor pursuant to the terms of this paragraph 20.

21. Waiver. The parties agree that the waiver of any breach of this Agreement by either party shall in no event constitute a waiver as to any further breach.

22. Headings. Headings on each paragraph of this Agreement are for reference purposes only and shall not be deemed to have any substantive effect.

23. Entire Agreement; Construction: This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, contracts or other arrangements. No amendments, modifications or supplements to this Agreement shall be binding unless executed in writing by the parties hereof.

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

KSL, a Division of Bonneville
International Corporation

By:_____

Its:_____

Loral Communication Systems
Corporation

By:_____
Stephen B. Jackson
Its: Vice President

Schedule A

The Premises are marked on the attached drawing of the site. The Premises include approximately 210 square feet of space in the attic above the kitchen in the transmitter building shown in the attached drawing for Lessee to install one six foot antenna with associated equipment of Schedule B.

Attachment: Drawing KSLFPSD002 Site Plot Farnsworth Peak

Schedule B
List of Lessee's Equipment

Item	Description	Qty.
1	HP-83751B Frequency Generator	1
2	HP-8563E Spectrum Analyzer	1
3	HP-3488A Switch Control Unit	1
4	486 Personal Computer	1
5	Video Monitor	1
6	Parabolic Reflector, 6 ft. diameter	1
7	Antenna Feeds (C, X, and Ku)	3
8	Az/El Antenna Positioner	1
9	Antenna Positioner Control Unit	1
10	3 dB 90 degree Coaxial Hybrid	1
11	Coaxial Line Stretcher	2
12	Wideband Coaxial Low Noise Amplifier	1
13	Power Meter	1
14	Directional Coupler	1
15	24V DC Power Supply	1
16	Misc. Cables and Connectors	

Schedule C

For the period November 1, 1995 through October 31, 1996, Lessee's monthly rental payment shall be $1,000.00. If Lessee exercises its right to extend this Agreement as set forth in paragraph 9, beginning November 1, 1996 and continuing every year thereafter, the monthly rental payment shall be increased at the rate of five percent per year.

If Lessee increases and/or modifies the Equipment or otherwise materially changes the nature of its operations at the Site, Lessor shall be entitled to increase the monthly rental payment accordingly.

In addition to the above-described monthly rental payment, Lessee shall pay Lessor the sum of $96.00 per month for access to one telephone line to be provided by Lessor to Lessee.

Schedule I
Certificate of Insurance

CERTIFICATE OF INSURANCE

ISSUE DATE
(MM/DD/YY)
02/15/96

PRODUCER

Alexander & Alexander of
New York, Inc.
1185 Avenue of the
Americas
New York, New York 10036

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

	TRANSPORTATION INSURANCE CO.
COMPANY LETTER	A
	CONTINENTAL CASUALTY COMPANY
COMPANY LETTER	B
	ZURICH INSURANCE COMPANY
COMPANY LETTER	C
COMPANY LETTER	D
COMPANY LETTER	E

INSURED

LORAL COMMUNICATIONS
SYSTEMS
M/S F1-E10
640 N. 3200 WEST
SALT LAKE CITY, UT 84116

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
B	GENERAL LIABILITY /x/ COMMERCIAL GENERAL LIABILITY /_/_/ CLAIMS MADE /x/ OCCUR. /_/ OWNER'S & CONTRACTOR'S PROT. /x/ B.F. VENDORS	GL 402521597	04/01/95	04/01/96	GENERAL AGGREGATE	$ 2,500,000
					PROD. COMP/OP AGG.	$ 2,500,000
					PERS. & ADV. INJURY	$ 2,500,000
					EACH OCCURRENCE	$ 2,500,000
					FIRE DAMAGE (Any one fire)	$ 50,000
					MED. EXPENSE (Any one person)	$ 5,000

CO LTR	TYPE OF INSURANCE	POLICY NUMBER
	AUTOMOBILE LIABILITY	BUA 802521600 A/S
A	/x/ ANY AUTO	BUA 002521599 TX
A	/_/ ALL OWNED AUTOS	PHYSICAL DAMAGE
	/_/ SCHEDULED AUTOS	COLL. DED. $500
	/x/ HIRED AUTOS	COMP. DED. $250
	/x/ NON-OWNED AUTOS	
	/_/ GARAGE LIABILITY	
	/_/	

POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS		
04/01/95	04/01/96	COMBINED SINGLE LIMIT	$	1,000,000
04/01/95	04/01/96	BODILY INJURY (Per person)	$	
		BODILY INJURY (Per accident)	$	
		PROPERTY DAMAGE	$	

CO LTR	TYPE OF INSURANCE	POLICY NUMBER
C	EXCESS LIABILITY /x/ UMBRELLA FORM /_/ OTHER THAN UMBRELLA FORM	AUO 684722502

POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
04/01/95	04/01/96	EACH OCCURRENCE	$ 2,500,000
		AGGREGATE	$ 2,500,000

CO LTR	TYPE OF INSURANCE	POLICY NUMBER
A	WORKER'S COMPENSATION	WC 802521594 (RETRO)
9	AND EMPLOYERS' LIABILITY	WC 802521595 (DED.)

POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS		
04/01/95	04/01/96	STATUTORY LIMITS		
04/01/95	04/01/96			
		EACH ACCIDENT	$	1,000,000
		DISEASE--POLICY LIMIT	$	1,000,000
		DISEASE--EACH EMP.	$	1,000,000

CO LTR	TYPE OF INSURANCE	POLICY NUMBER
	OTHER	

POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS KSL, A DIVISION OF BONNEVILLE INTERNATIONAL CORPORATION A UTAH CORPORATION ARE INCLUDED AS ADDITIONAL INSUREDS BUT ONLY WITH RESPECT TO LIABILITIES ARISING OUT OF THE LEASING OF PREMISES AT FAR FIELD TEST ANTENNA RANGE LOCATED ON THE OQUIRRH MOUNTAINS RANGE IN SALT LAKE AND TOOELE COUNTIES, UTAH, COMMONLY KNOWN AS FARNSWORTH PEAK BY THE NAME ISSUED.

CERTIFICATE HOLDER

KSL
ATTN: GREG JAMES
BROADCAST HOUSE
55 NORTH 200 WEST
P.O. BOX 1160
SALT LAKE CITY, UT 84110-1160

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF. THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

authorized representative

Schedule O

1. Requested Emergency Engineering/Technical Services. $50.00 per hour. Hours shall be invoiced in tenths, with a minimum charge per request of two-tenths of an hour.

2. Emergency Power Generator Use. This service is available only to the capacity of the system. Tenants have priority based on their length of time at the Site. Cost is $8.00/KVA (peak demand rate) per month. Should operation time exceed fifty hours per year, an additional charge will be made to cover the cost of additional fuel.

3. Use of Tools and Workshop. The room known as the PI room is equipped with a work bench and tools, tool board, ladders, drill press, grinder, extension power cords, goggles and face shield which may be used by Lessee. Lessee shall be responsible for any loss, breakage or damage. The cabinet labeled "Tenant Use" contains a minimal assortment of electronic test equipment that is also available for use.

4. Specialized Equipment and Supplies. An additional charge will be made for use of some items. The listing of such items is posted on the bulletin board at the Site and use of these items is subject to permission of Lessor's engineer on site.

5. Use of Parts and Supplies. Lessor does not stock, inventory, sell or supply parts. In an emergency, the following rules apply:

A. The requested item must be available and not in immediate need by Lessor;

B. Approval to use the item must be obtained from Lessor's engineer on site; and

C. No exchange of money or parts will be allowed, but replacement with identical and new parts on the basis of replace two items for any one used within seven days.

Schedule S
Seniority

1.	KSL-TV (Operations Began)	1952
2.	KSFI (FM)	Nov. 1, 1957
3.	KISN (FM)	Nov. 11, 1968
4.	U.S. Government, Secret Service	Jun. 1, 1972
5.	KSOP (FM)	Sep. 15, 1973
6.	KRSP (FM)	Dec. 14, 1973
7.	Utah Transit Authority	Nov. 3, 1976
8.	Petersen Electric	Apr. 4, 1977
9.	KBUL (FM)	Jul. 1, 1977
10.	KBER (FM)	Jul. 1, 1977
11.	Utah Transit Authority	Dec. 1, 1978
12.	KBZN (FM)	Feb. 1, 1979
13.	KRCL (FM)	Aug. 30, 1979
14.	Questar	Jun. 20, 1981
15.	Precision Electronics	Jun. 26, 1981
16.	KKAT (FM)	Mar. 23, 1983
17.	GTE Airfone	Sep. 14, 1990
18.	KUMT (FM)	Aug. 20, 1991
19.	Technivision Inc., dba Omnivision	Mar. 1992
20.	Clairtel Communications Group, L.P.	Jun. 15, 1992
21.	SMR of Utah, Inc.	Nov. 15, 1992
22.	Family Stations, Inc.	July 6, 1994
23.	Heywood Engineering and Consulting	July 1, 1995
24.	Loral Communications Systems	Nov. 1, 1995

August 20, 1996

KSL, Division of Bonneville International
Broadcast House
55 North 300 West
P.O. Box 1160
Salt Lake City, Utah 84110-1160

Subject: Lockheed Martin Tactical Systems, Inc.
Exercise of Option for the Far Field Test Antenna Range
Located on the Oquirrh Mountains Range in Salt Lake and Tooele
Counties, Utah, Commonly Known as Farnsworth Peak
November 1, 1996 - October 31, 1998

Gentlemen:

Lockheed Martin Tactical Systems, Inc. formerly exercises its first two year option for the subject Far Field Test Antenna Range for the period November 1, 1996 through October 31, 1998. The rental payment for the period November 1, 1996 through October 31, 1997 shall be $1,050/month plus the sum of $96/month for access to one telephone line to be provided by Lessor. The rental payment for the period of November 1, 1997 through October 31, 1998 shall be $1,102.50/month plus the sum of $96/month for access to one telephone line to be provided by Lessor.

Please indicate your concurrence with the above by signing below and returning one of the two originals to us, letterhead address. Thank you.

Landlord Concurrence:
KSL, a division of Bonneville
International Corporation

By: _____

Date: _____

Very truly yours,

LOCKHEED MARTIN TACTICAL
SYSTEMS, INC.
By: LMC Properties, Inc. a Lockheed
Martin company its duly
authorized representative, per
CPS 420

John W. Wissmann

Senior Manager, Real Estate

August 29, 1996

SENT BY FACSIMILE MACHINE

Ms. Joan Perkins
Lockheed Martin Tactical Systems, Inc.
3825 Fabian Way, M/S Z02
Palo Alto, California 94303-4697

Dear Ms. Perkins:

I write in follow-up to a telephone conversation yesterday with Tony Tigert in your Salt City, Utah office. During my conversation, I agreed, on behalf of my client, KSL, a division of Bonneville International Corporation, to extend the time in which Lockheed Martin Tactical Systems, Inc. may exercise its option to renew that certain Lease Agreement dated March 18, 1996 from August 31, 1996 to September 30, 1996.

Please contact me if you have any questions or comments concerning the foregoing. Thank you for your attention to this matter.

Very truly yours,

Boyd L. Hawkins

BJH/tmp

October 9, 1996

KSL, Division of Bonneville International
Broadcast House
Attn: Kim Hake
55 North 300 West
P.O. Box 1160
Salt Lake City, Utah 84110-1160

Subject: Lockheed Martin Corporation
Exercise of Option for the Far Field Test Antenna Range
Located on the Oquirrh Mountains Range in Salt Lake and
Tooele Counties, Utah, Commonly Known as Farnsworth Peak.
November 1, 1996 - October 31, 1998

Dear Ms. Hake:

Lockheed Martin Corporation formally exercises its first two year option for the subject Far Field Test Antenna Range for the period November 1, 1996 through October 31, 1998. The rental payment for the period November 1, 1996 through October 31, 1997 shall be $1,050/month plus the sum of $96/month for access to one telephone line to be provided by Lessor. The rental payment for the period November 1, 1997 through October 31, 1998 shall be $1,102.50/month plus the sum of $96/month for access to one telephone line to be provided by Lessor.

Please indicate your concurrence with the above by signing below and returning one of the two originals to us at 191 Chesapeake Park Plaza, Baltimore, Maryland 21220. Thank you.

Landlord Concurrence:
KSL, a division of Bonneville
International Corporation

By: _____

Date: _____

Very truly yours,

LOCKHEED MARTIN TACTICAL
SYSTEMS, INC.
By: LMC Properties, Inc. a Lockheed
Martin Company its duly
authorized representative, per
CPS 420

John W. (Jack) Wissmann
Senior Manager, Real Estate

EXHIBIT B

DEFAULTS

EXHIBIT 10.81

ASSIGNMENT AND ASSUMPTION OF LEASE

THIS ASSIGNMENT AND ASSUMPTION OF LEASE (this "Assignment") is dated as of April 29, 1997 among LOCKHEED MARTIN TACTICAL SYSTEMS, INC., a New York corporation (the "Assignor"), L-3 COMMUNICATIONS CORPORATION, a Delaware corporation (the "Assignee"), and UNISYS CORPORATION, a Delaware corporation (the "Landlord"), with reference to the following:

RECITALS

A. The Landlord, as landlord, and the Assignor, as tenant, executed a Lease Agreement dated May 5, 1995 (which, together with all modifications, amendments and supplements thereof, is hereinafter referred to collectively as the "Lease"), a copy of which is attached hereto and incorporated by reference as Exhibit A, pursuant to which Landlord leased to the Assignor and the Assignor leased from Landlord property and improvements described therein located at 322 North 2200 West, Salt Lake City, Utah (Buildings D, D Annex and Z) (the "Premises").

B. The Assignee is acquiring certain assets and assuming certain liabilities from the Assignor including the Assignor's rights, leasehold interest and obligations under the Lease.

C. In connection with such acquisition, the Assignor desires to assign the Lease to the Assignee, and the Assignee desires to accept the assignment of the Lease from the Assignor.

D. The Landlord has agreed to enter into this Assignment to, among other things, evidence its consent to such assignment of the Lease.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Assignor, the Assignee and the Landlord hereby covenant and agree as follows:

1. Assignment. The Assignor grants, assigns and transfers to the Assignee, its successors and assigns, all of the Assignor's right, title and interest in, to and under the Lease (including, without limitation, any options under the Lease and any rights to extend or renew the Lease) and the Assignee accepts from the Assignor all of the Assignor's right, title and interest in, to and under the Lease.

2. Assumption of Lease Obligation. Assignee assumes and agrees to perform and fulfill all terms, covenants, conditions and obligations required to be performed and fulfilled by the Assignor under the Lease, including, without limitation, the obligation to make all payments due or payable on behalf of the Assignor under the Lease as they become due and payable.

3. Representations of Assignor and Landlord. The Assignor and the Landlord represent to the Assignee as follows:

(a) The Lease attached hereto as Exhibit A is a true, correct and complete copy of the Lease (including all modifications, amendments and supplements thereof) and the same are the only agreements between Landlord and the Assignor with respect to the subject matter thereof.

(b) The Lease is in full force and effect and, except for the modifications, amendments and supplements included in Exhibit A, the Lease has not been modified, amended or supplemented.

(c) Except as set forth on Exhibit B, no default by the Assignor

or the Landlord has occurred and is continuing under the Lease, and no event has occurred and is continuing which with the giving of notice or the lapse of time or both would constitute a default thereunder.

(d) No minimum or base rent or other rental has been paid in advance (except for the current month).

(e) The monthly amount of base rent due under the Lease as of May 1, 1997, is $64,417, and the minimum or base rent and all other rentals and other payments due, owing and accruing under the Lease have been paid through April 30, 1997.

(f) The term of the Lease commenced on May 5, 1995, and the current term of the Lease expires on December 31, 2001.

4. Landlord's Consent.

The Landlord hereby consents to the Assignor's assignment of the Lease to the Assignee and the Assignee's assumption of the Lease. Landlord's consent to the Assignor's assignment of the Lease to the Assignee shall not be deemed to release the Assignor from any of its obligations under the Lease or to alter any provision of the Lease and/or the primary liability of the Assignor for the payment of minimum or base rent or any additional rent due under the Lease or for the performance of any other obligations to be performed by the Assignor under the Lease.

5. Successors and Assigns. This Assignment shall be binding on and inure to the benefit of the parties hereto, and their respective heirs, personal representatives, successors and assigns, provided that this Section 5 shall not be construed to permit any future assignments of the Lease or subletting of the Premises except as permitted by the Lease.

6. Counterparts. This Assignment may be signed in counterpart and, as so executed, shall constitute a binding agreement.

7. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the state in which the Premises are located.

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

WITNESS/ATTEST:

_____

ASSIGNOR:

LOCKHEED MARTIN TACTICAL
SYSTEMS, INC.

By:_____(SEAL)
Name:
Title:

ASSIGNEE:

L-3 COMMUNICATIONS CORPORATION

_____

By:_____(SEAL)
Name:
Title:

WITNESS/ATTEST

_____

LANDLORD:

UNISYS CORPORATION

By:_____(SEAL)
Name:
Title:

STATE OF NEW YORK, COUNTY OF QUEENS, TO WIT:

On this the 23 day of May 1997, before me a notary public of said State, Michael T. Shianese, the undersigned officer, personally appeared Michael T. Shianese, who acknowledge himself to be an office of L-3 Communication, a Delaware corporation, and that he, as such Vice President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signed the name of the corporation by himself as a Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My Commission Expires:

STATE OF Maryland, COUNTY OF Montgomery, TO WIT:

On this the 30th day of April 1997, before me a notary public of said State, Stephen M. Piper, the undersigned officer, personally appeared before me, who acknowledge himself to be a Vice President & Asst. Secretary of Lockheed Martin Tactical Systems, Inc., a New York corporation, and that he, as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signed the name of the corporation by himself as a Vice President & Asst. Secretary.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My Commission Expires: Dec. 1, 2000

_____
Notary Public

My Commission Expires: Dec. 1, 2000

STATE OF PENNSYLVANIA, COUNTY OF MONTGOMERY, TO WIT:

On this the 29th day of April 1997, before me a notary public of said State, Pennsylvania, the undersigned officer, personally appeared Gregory T. Fisher, who acknowledged himself to be a Vice President of Unisys Corporation, a Delaware corporation, and that he, as such Vice President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as a Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public

My Commission Expires:

EXHIBIT A

THE LEASE

EXHIBIT B

DEFAUTLS

NONE

THIRD AMENDMENT TO LEASE

LORAL CORPORATION/UNISYS CORPORATION

Buildings D, D Annex and Z
322 North 2200 West
Salt Lake City, UT

In consideration of the mutual covenants contained herein, and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree to amend the Lease dated May 5, 1995 as amended by First, and _____ Second Amendments between Loral Corporation, as Lessor, and Unisys Corporation, as Lessee, for the Demised Premises located in Buildings D, D Annex and Z at 322 North 2200 West, Salt Lake City, Utah as follows:

1. Effective January 15, 1996 through December 31, 2001, Schedule B (the "Demised Premises") as used in the Lease shall be increased by 4,584 rentable square feet which additional space is identified on Exhibit A attached hereto.

2. Effective January 15, 1996 the rental shall be increased to reflect said additional space utilizing the method described on Schedule C of the Lease.

3. Except as modified herein and amended herein, all other terms and conditions of the Sublease shall remain unchanged and in full force and effect.

LESSEE:

UNISYS CORPORATION
a Delaware Corporation

By: _____
Richard J. L'Ecuyer
Corporate Director
Real Estate Operations

LESSOR:

LORAL CORPORATION
a New York Corporation

By:_____
W. B. Booker
Vice President and Controller
Loral Communication Systems

By:_____
Stephen L. Jackson,
Vice President
Loral Corporation

SECOND AMENDMENT TO LEASE

LORAL Corporation/UNISYS CORPORATION

Buildings D, D Annex and Z
322 North 2200 West
Salt Lake City, UT

In consideration of the mutual covenants contained herein, and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree to amend the Lease dated May 5, 1995 as amended by First Amendment between Loral Corporation, as Lessor, and Unisys Corporation, as Lessee, for the Demised Premises located in Buildings D, D Annex and Z at 322 North 2200 West, Salt Lake City, Utah as follows:

1. Effective December 1, 1995 through December 31, 2001, Schedule B (the "Demised Premises") as used in the Lease shall be increased by 20,000 rentable square feet which additional space is identified on Exhibit A attached hereto.

2. Effective December 1, 1995 the rental shall be increased to reflect said additional space utilizing the method described on Schedule C of the Lease.

3. Except as modified herein and amended herein, all other terms and conditions of the Sublease shall remain unchanged and in full force and effect

LESSEE:

UNISYS CORPORATION
a Delaware Corporation

By:_____
Richard J. L'Ecuyer
Corporate Director
Real Estate Operations

LESSOR:

LORAL CORPORATION
a New York Corporation

By:_____
W. B. Booker
Vice President and Controller
Loral Communication Systems

By:_____
Stephen L. Jackson,
Vice President
LORAL CORPORATION

FIRST AMENDMENT TO LEASE

LORAL CORPORATION/UNISYS CORPORATION

Buildings D, D Annex and Z
322 North 2200 West
Salt Lake City, UT

In consideration of the mutual covenants contained herein, and for other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree to amend the Lease dated May 5, 1995 between Loral Corporation, as Lessor, and Unisys Corporation, as Lessee, for the Demised Premises located in Buildings D, D Annex and Z at 322 North 2200 West, Salt Lake City, Utah as follows:

1. Effective December 1, 1995 through December 31, 2001, Schedule B (the "Demised Premises") as used in the Lease shall be increased by 37,034 rentable square feet which additional spaces are identified on Exhibit A attached hereto.

2. Effective December 1, 1995 the rental shall be increased to reflect said additional space utilizing the method described on Schedule C of the Lease.

3. Effective December 1, 1995 the parking site plan shown on Exhibit B of the Lease shall be replaced with the attached Exhibit B. Lessee will have exclusive use of the Building D Annex dock area, however Lessee must continue to provide the U.S. Postal Service access as provided in their Lease.

4. Except as modified herein and amended herein, all other terms and conditions of the Sublease shall remain unchanged and in full force and effect.

LESSEE:

UNISYS CORPORATION
a Delaware Corporation

By:_____
Richard J. L'Ecuyer
Corporate Director
Real Estate Operations

LESSOR:

LORAL CORPORATION
a New York Corporation

By:_____
W. B. Booker
Vice and Controller
Loral Communication Systems

By:_____
Stephen L. Jackson,
Vice President
LORAL CORPORATION

LEASE

Between

UNISYS CORPORATION,

as Lessor

and

LORAL CORPORATION,

as Lessee

TABLE OF CONTENTS

LEASE

LEASE, dated as of May 5, 1995, between UNISYS CORPORATION, a Delaware corporation having an office at Township Line and Union Meeting Roads, Blue Bell, Pennsylvania 19424 ("Lessor") and LORAL CORPORATION, a New York corporation having an office at 600 Third Avenue, New York, New York 10016 ("Lessee").

W I T N E S S E T H :

WHEREAS, Lessor is the owner of the real property, including improvements thereon (collectively, the "Property") referenced on Schedule A hereto; and

WHEREAS, Lessor desires to lease to Lessee, and Lessee desires to hire from Lessor, certain premises at the Property upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter provided, Lessor and Lessee hereby agree as follows:

1. Demised Premises.

1.1. Lessor hereby leases to Lessee, and Lessee hereby leases and hires from Lessor, the Demised Premises, as defined in Schedule B hereto, together with the non-exclusive right to use the common areas of the Property and such other rights as are necessary or desirable to provide Sublessee with substantially the same rights and benefits as have been generally afforded to and enjoyed by the Defense Systems unit of Unisys Corporation ("Defense Systems") prior to the date hereof (including, without limitation, rights of ingress and egress, parking consistent with past practice or otherwise as set forth in the Rider attached to this Sublease, and access to public and private utilities) for the lease term hereinafter stated and for the Base Rent and Additional Rent (both as hereinafter defined) set forth herein, upon and subject to all of the terms and provisions hereinafter provided or incorporated in this Lease by reference.

1.2. Lessee agrees to accept the Demised Premises on the Commencement Date (as hereinafter defined) in its "as is" condition and Lessor shall not be obligated to perform any work or furnish any materials in, to or about the Demised Premises in order to prepare the Demised Premises for occupancy by Lessee or otherwise. Lessee hereby releases Lessor from any and all liability resulting from (i) any latent or patent defects in the Demised Premises, (ii) the failure of the Demised Premises to comply with any legal requirements applicable thereto or (iii) the status of the title to the Demised Premises, provided that the foregoing release of liability is not intended to limit or otherwise affect any liability that Lessor or any affiliate of Lessor may have to Lessee or any affiliate of Lessee which arises under any of the other terms and conditions of this Lease or under the terms and conditions of any other agreement. Lessee acknowledges that, except as expressly set forth herein or as expressly set forth in any separate document, Lessor has made no statements, representations, covenants or warranties with respect to (x) the condition or manner of construction of the Property or any improvements constructed in the Demised Premises, (y) the uses or purposes for which the Demised Premises may be lawfully occupied or (z) any encumbrances, covenants, restrictions or agreements affecting title

to the Property or the Demised Premises. Lessee also agrees that, in executing this Lease, it has not relied upon or been induced by any statements, representations, covenants or warranties of any person other than those, if any, set forth expressly in this Lease or in any other separate agreements by or between Lessor and/or Lessee or any of their respective affiliates.

2. Term.

2.1. (a) The term of this Lease shall commence on the date hereof (the "Commencement Date") and, unless earlier terminated or extended as herein provided, shall expire on the Expiration Date. As used in this Lease, (i) "Term" shall mean the term of this Lease, and (ii) "Expiration Date" shall mean the Scheduled Expiration Date, as defined in Schedule C hereto; provided that in the event of a termination of this Lease pursuant to the terms hereof prior to the Scheduled Expiration Date, the "Expiration Date" shall mean such date of termination of this Lease.

(b) References in this Lease to the "termination" of this Lease include the stated expiration of the Term and any earlier termination thereof pursuant to the provisions of this Lease, or by law. Except as otherwise expressly provided in this Lease with respect to those obligations of Lessee which by their nature or under the circumstances can only be, or under the provisions of this Lease may be, performed after the termination of this Lease, the Term and estate granted hereby shall end at noon on the date of termination of this Lease as if such date were the Expiration Date, and neither party shall have any further obligation or liability to the other after such termination. Notwithstanding the foregoing, any liability of Lessor or Lessee to make any payment under this Lease, including, without limitation, amounts payable by Lessee as Base Rent or Additional Rent hereunder (both as hereinafter defined), which shall have accrued prior to the termination of this Lease shall survive the termination of this Lease.

3. Rent.

3.1. The rent ("Rent") payable during the Term under this Lease shall consist of the following:

(a) the Base Rent, as defined in Schedule C hereto.

(b) additional rent ("Additional Rent") in an amount equal to any and all other sums payable by Lessee to Lessor under this Lease.

3.2. Except as otherwise specifically provided in this Lease (a) all payments of Base Rent shall be in equal monthly installments and shall be made in advance on the first (1st) day of each month during the Term, without notice (provided that if the amount of Base Rent is required to be calculated by Lessor in accordance with Schedule C hereof, then Lessor shall give Lessee prior written notice of such calculation, which notice shall include an explanation of the basis for such calculation and reasonable backup documentation relating thereto), and (b) all payments of Additional Rent shall be made within 30 days after written notice from Lessor, in each case by check payable to the order of "UNISYS CORPORATION" and addressed to Unisys Corporation, P.O. Box 500, Blue Bell, Pennsylvania 19424-0003, Attention: Disbursement & Control Dept., or to such other person or at such other place as Lessor may from time to time designate in writing.

3.3. Lessee shall pay all Rent when due, in lawful money of the United States which shall be legal tender for the payment of all debts, public and private, at the time of payment. All sums due and payable by Lessor or Lessee pursuant to the terms of this Lease that are not paid within five (5) days of the due date therefor shall from and after the due date bear interest at an annual percentage rate of ten percent (10%). All interest accrued and payable by Lessee under this subsection as hereinabove provided shall be deemed to be Additional Rent payable hereunder and due at such time or times as the rent with respect to which such interest shall have accrued shall be payable under this Lease.

3.4. Lessee agrees to pay, an Additional Rent, any revenue tax or charge, occupancy tax, business privilege tax, business use tax or any other tax that may be levied against the Demised Premises or Lessee's use or occupancy thereof during the Term; provided, however, that in no event shall Lessee be obligated to pay any income tax that is imposed upon and/or payable by Lessor, and provided further that payments made by Lessee pursuant to this Section 3.4 shall not be duplicative of amounts paid by Lessee pursuant to any other provision of this Lease.

3.5. In the event that Lessee shall dispute any calculation of Rent charged to Lessee by Lessor, then Lessee shall send to Lessor a written notice, within 30 days of receipt by Lessee of such charge, setting forth the basis for Lessee's dispute. Lessor and Lessee shall thereupon use reasonable and good faith efforts to resolve such dispute. If the parties are unable to resolve such dispute within 30 days after submission by Lessee of its dispute notice, then the parties shall designate an independent certified public accountant mutually acceptable to both parties (the "Independent Accountant") to resolve such dispute and the fees and charges of the Independent Accountant shall be shared equally by the parties. Both parties shall provide the Independent Accountant with all information reasonably requested by the Independent Accountant in connection with its review of such dispute, and both parties shall request that the Independent Accountant complete its work expeditiously and issue a written report to both parties setting forth its determination. The written determination of the Independent Accountant shall be final and shall be binding upon both Lessor and Lessee. All disputes to be resolved pursuant to this Section 3.5 shall be so resolved in accordance with the principles and standards set forth in Section 3.6 below.

3.6. All calculations by Lessor of Base Rent, Additional Rent and any other amounts that are payable by Lessee hereunder shall be made in accordance with Lessor's past practices during calendar year 1994 with respect to Defense Systems, and all charges and allocations relating to the Demised Premises and all accounting practices utilized by Lessor with respect to amounts charged to Lessee under this Lease (including the capitalization, amortization and expensing of costs incurred and funds expended) shall also be made in such manner.

4. Use.

4.1. Lessee shall occupy and use the Demised Premises solely for manufacturing, light assembly, engineering, research and development, office and warehouse and such other uses as may be approved by Lessor (which approval shall not be unreasonably withheld, delayed or conditioned), provided that any such use shall be subject in all respects to the other terms and provisions of this Lease, and subject to any and all

laws, statutes, ordinances, orders, regulations and requirements of all federal, state and local governmental, public or quasi-public authorities, whether now or hereafter in effect, which may be applicable to or in any way affect the Demised Premises or any part thereof and all requirements, obligations and conditions of all instruments of record on the date of this Lease affecting the Demised Premises (collectively, "Legal Requirements").

5. Services.

5.1. It is the intent of the parties that Lessor shall continue to provide to Lessee all services generally and customarily provided by Unisys Corporation to the occupants of the Demised Premises prior to the Commencement Date, together with any other services that may be appropriate under the circumstances from time to time (such services being hereinafter referred to collectively as the "Services"). In connection with the foregoing, such Services shall include, without limitation, each of the services set forth on Schedule D hereto, and such Services shall not include any of those items set forth on Schedule D-1 hereto. Lessee shall pay to Lessor, in consideration for the Services and as Additional Rent, an amount equal to Lessor's actual costs in, to or for the benefit of the Demised Premises or Lessee which shall be determined in accordance with the principles set forth in Section 3.6 above ("Actual Costs"). On a quarterly basis, Lessor shall provide to Lessee a written statement, in reasonable detail, setting forth such Actual Costs for Services. In the event that Lessee disputes Lessor's statement of Actual Costs, such dispute shall be resolved in accordance with Section 3.5 hereof.

5.2. It is the intent of the parties that Lessee shall continue to provide to Lessor, during the Term hereof, all reasonable services generally and customarily provided by Defense Systems, prior to the Commencement Date, to any other portions of the Property. Lessee shall perform such services, and Lessor shall pay to Lessee a proportionate share of Lessee's actual costs incurred in performing such services. On a quarterly basis, Lessee shall provide to Lessor a written statement, in reasonable detail, setting forth such costs. In the event of a dispute with respect to such costs, such dispute shall be resolved in accordance with Section 3.5 hereof.

5.3. In the event that telephone switching equipment or other telecommunications equipment utilized by Lessor or Lessee is located within the premises occupied by the other party, then the party occupying such premises shall grant the other party reasonable access to such telephone switching equipment or other telecommunications equipment and other areas reasonably required for such telecommunications use, subject in each case to reasonable security requirements of the party granting such access.

5.4. The provisions of this Section shall survive the expiration or earlier termination of this Lease.

6. Alterations; Demising Costs; Signage.

6.1. As used herein, the term "Alterations" shall mean, collectively, any alterations, modifications installations, additions or improvements to the Demised Premises. Without the prior written consent of Lessor in each instance, which consent shall not be unreasonably withheld conditioned or delayed, Lessee shall not make any (a) structural Alterations or (b) non-structural Alterations having a design and construction cost in

excess of $50,000 on a per project basis. Any Alterations consented to by Lessor, or otherwise permitted under this Lease, shall be performed by Lessee, at its sole cost and expense, in a good and workmanlike manner. Lessor shall have the right to post notices of non-responsibility and similar notices, as Lessor shall reasonably deem appropriate, on the Demised Premises while Alterations are occurring.

6.2. Lessor and Lessee shall use reasonable and good faith efforts to reach a mutual agreement as to whether any Alterations are necessary and appropriate in order to separate the Demised Premises from the premises in the Property occupied by Lessor. In the event that the parties reach such a mutual agreement, then Lessor shall perform such agreed upon Alterations, and Lessee shall, within 30 days after written demand by Lessor, reimburse Lessor for one-half of the costs and expenses relating to such Alterations. Lessor may request payment of Lessee's share of such costs, and (if requested) Lessee shall pay its share of such costs, as such costs are incurred by Lessor during the course of design and construction of such Alterations. Lessor shall require that (a) any contractors or subcontractors performing any such work maintain reasonable and appropriate liability insurance and (b) any such insurance policies shall name Lessor and Lessee as additional insureds.

6.3. Lessee shall have the right to install reasonable and appropriate signage, both at the entrance to the Demised Premises and in the common areas of the Property, indicating Lessee's occupancy of the Demised Premises, provided that the location, size and design of any such signage shall be subject to the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed.

6.4. In the event that the Demised Premises are measured or re-measured pursuant to the terms of this Lease (inclusive of the Rider, if any, and Schedule's attached hereto), Lessor and Lessee shall each pay one-half (1/2) of the costs and expenses relating to such measurement or re-measurement.

7. Maintenance and Repair.

7.1. Except as provided to the contrary in Schedule D and Schedule D-1 attached hereto, Lessor shall, at its sole cost and expense, maintain the Premises in reasonably satisfactory repair and condition, except for ordinary wear and tear, and will make all structural and nonstructural repairs which may be required by law or required to keep the Premises in reasonably satisfactory repair and condition, except for ordinary wear and tear, and Lessor's Actual Costs for providing such maintenance and repair Services shall be charged to Lessee as Additional Rent in accordance with Section 5.1 hereof.

8. Insurance.

8.1. Lessee, at Lessee's sole expense, shall maintain for the benefit of Lessor such policies of insurance (and in such form) with respect to the Demised Premises which shall be reasonably satisfactory to Lessor as to coverage and insurer (who shall be licensed to do business in the State in which the Demised Premises are located) provided that such insurance shall at a minimum include comprehensive general liability insurance protecting and indemnifying Lessor and Lessee against any and all claims and liabilities for injury or damage to persons or property occurring

upon, in or about the Demised Premises, and the public portions of the Property, caused by or resulting from or in connection with any act or omission of Lessee or Lessee's employees, agents or invitees. Lessor shall be named as an additional insured under any such policies of insurance obtained by Lessee, and no such policy shall be subject to termination or modification unless at least thirty (30) days' prior written notice (or ten (10) days' prior written notice, if such termination results from Lessee's failure to pay the premiums for such insurance) shall have been given by the applicable insurance company to Lessor. Upon execution of this Lease by Lessee and at least thirty (30) days prior to the expiration date of such policies, Lessee shall furnish to Lessor a certificate or certificates of insurance confirming that the required insurance is in full force and effect with all premiums paid current. Nothing contained herein shall limit, or prohibit, Lessee from providing such coverage through "blanket" policies of insurance and/or self-insuring therefor in a manner that is consistent with the general corporate practices of Lessee.

8.2. Nothing contained in this Lease shall relieve Lessee from any liability as a result of damage from fire or other casualty, but each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty. To the extent that such insurance is in force and collectible and to the extent permitted by law, Lessor and Lessee each hereby releases and waives all right to recovery against the other or anyone claiming through or under the other by way of subrogation or otherwise. The foregoing release and waiver shall be in force only if the insurance policies of Lessor and Lessee provide that such release or waiver does not invalidate the insurance; each party agrees to use reasonable efforts to include such a provision in its applicable insurance policies. If the inclusion of said provision would involve an additional expense, either party, at its sole expense, may require such provision to be inserted in the other's policy.

9. Assignment, Subletting and Encumbrances.

9.1. Lessee shall not sublease or mortgage, pledge or otherwise encumber all or any part of the Demised Premises, assign or mortgage this Lease (by operation of law or otherwise) or permit the Demised Premises to be used or occupied by anyone other than Lessee, Lessee's divisions and other Affiliates and Lessee's licensees, invitees, customers and vendors, without the prior written consent of Lessor in each instance, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that Lessee, upon at least 30 days' prior written notice to Lessor, may assign this Lease or sublet all or part of the Demised Premises to (A) an Affiliate of Lessee, (B) an entity into which Lessee is merged or consolidated, and (C) an entity which acquires all or substantially all of the business or operations of Lessee. Any consent by Lessor as hereinabove required shall not excuse Lessee from its obligation to obtain the express written consent of Lessor to any further action or matter with respect to which the consent of Lessor is hereinabove required and Lessee shall not be released from any of its obligations hereunder. The term "Affiliate", as used in this Section 9.1, shall have the same meaning as is set forth in the Asset Purchase Agreement.

10. Liens.

10.1. Lessee shall not suffer or permit any mechanic's, materialman's, vendor's, supplier's, laborer's or other similar liens

(collectively, "mechanic's liens") to be filed against the Demised Premises, or any part thereof, nor against Lessee's interest therein, by reason of work, labor, services or materials supplied or claimed to have been supplied to Lessee (except for mechanic's liens for payments that are not yet delinquent or for payments that Lessee is contesting in good faith and in a diligent manner). If any mechanic's lien described in the preceding sentence shall at any time be filed against the Demised Premises, or any part thereof, or Lessee's interest therein, Lessee shall, within forty-five (45) days after notice of the filing thereof, cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise, or provide Lessor with reasonable assurances as to Lessee's ability to satisfy such lien. If Lessee shall fail to cause such lien to be discharged within such forty-five (45) day period, then, in addition to any other right or remedy of Lessor, Lessor may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding proceedings, and in any such event Lessor shall be entitled to reimbursement from Lessee for any reasonable costs expended by Lessor.

11. Default.

11.1. (a) Each of the following shall constitute an Event of Default hereunder:

(i) if Lessee shall fail to pay when due any Rent or any other amount Lessee may be required to pay hereunder, and Lessee shall fail to remedy such default within seven (7) business days after written notice thereof has been given to Lessee by Lessor, provided that an Event of Default shall not be deemed to have occurred hereunder if Sublessee shall have timely disputed in good faith its obligation to pay such Rent or the amount thereof; or

(ii) if Lessee shall default in the observance or performance of any term, covenant or condition of this Lease on Lessee's part to be observed, performed or complied with (other than the payment of Base Rent and Additional Rent and other amounts payable hereunder) and Lessee shall fail to remedy such default within thirty (30) days after written notice to cure, or, if such default is of such a nature that for reasons beyond Lessee's control it cannot be completely remedied within said period of thirty (30) days, then if Lessee (A) shall not promptly institute and thereafter diligently prosecute to completion all steps necessary to remedy the same and (B) shall not remedy the same within a reasonable time after the date of default; or

(iii) if any event shall occur or any contingency shall arise whereby this Lease or the estate hereby granted or the unexpired balance of the Term would, except as expressly permitted herein, by operation of law or otherwise, devolve upon or pass to any person or entity other than Lessee, and Lessee shall fail to remedy such default within sixty (60) days after written notice thereof has been given to Lessee by Lessor;

(b) Upon the occurrence of any such Event of Default, Lessor may, in addition to exercising any other available rights or remedies available to Lessor under law, give to Lessee notice of its intention to end the Term at the expiration of three (3) days from the date of the giving of such notice, and, in the event such notice is given, this Lease and the Term and estate hereby granted (whether or not the Term shall have commenced)

shall terminate upon the expiration of said three (3) days with the same force and effect as if that day were the Expiration Date, provided, however, that Lessor and Lessee shall remain liable for the performance of their respective obligations hereunder which survive the termination of this Lease and for damages as provided in this Lease.

11.2. Notwithstanding anything to the contrary set forth herein, this Lease shall immediately terminate if any of the following events shall occur with respect to Lessee: (a) if Lessee shall (i) have applied for or consented to the appointment of a receiver, trustee or liquidator, or other custodian of Lessee, or any of its properties or assets, (ii) have made a general assignment for the benefit of creditors, (iii) have commenced a voluntary case for relief as a debtor under the United States Bankruptcy Code, or any other applicable federal or state laws, or filed a petition to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debts, dissolution or liquidation law or statute or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or (iv) be adjudicated a bankrupt or insolvent; or (b) if without the acquiescence or consent of Lessee, an order, judgment or decree shall have been entered by any court of competent jurisdiction approving as properly filed a petition seeking relief under the United States Bankruptcy Code, or any other applicable federal or state laws, or any bankruptcy, reorganization, insolvency, readjustment of debts, dissolution or liquidation law or statute with respect to Lessee, or all or a substantial part of their respective properties or assets, and such order, judgment or decree shall have continued unstayed and in effect for any period of not less than ninety (90) days. Neither Lessee, nor any person claiming through or under Lessee or by reason of any statute or order of court shall, after such termination, be entitled to possession of the Demised Premises but shall forthwith quit and surrender the Demised Premises. Without limiting any of the foregoing provisions of this Section 10.2, if pursuant to the United States Bankruptcy Code, or any other applicable federal or state laws, Lessee is permitted to assign this Lease, Lessee agrees that adequate assurance of future performance by an assignee expressly permitted under such law shall be deemed to mean evidence in the form of financial statements prepared and certified by a certified public accountant that the assignee will have a net worth, after excluding the value of the leasehold, sufficient to meet the remaining obligations under this Lease.

11.3. In the event of any breach by Lessee or any persons claiming through or under Lessee of any of the terms, covenants or conditions contained in this Lease, Lessor, after the giving of any notice required by the terms of this Lease and the expiration of any notice and cure periods hereunder, (a) shall be entitled to enjoin such breach and (b) shall have the right to invoke any right and remedy available at law or in equity or by statute or otherwise. The provisions of this Section 11.3 shall survive the expiration or sooner termination of this Lease.

11.4. If this Lease and the Term shall terminate as provided in Section 11.1 or in Section 11.2 above, or by or under any summary proceeding or any other action or proceeding or if Lessor shall re-enter the Demised Premises as hereinabove provided or by or under any summary proceeding or any other action or proceeding, then in any of said events:

(a) Lessee shall pay to Lessor all Base Rent, Additional Rent and other amount payable by Lessee hereunder to the date upon which this

Lease and the Term shall have terminated or to the date of re-entry upon the Demised Premises by Lessor, as the case may be;

(b) Lessor shall be entitled to retain all monies, if any, paid by Lessee to Lessor, whether as advance Rent, security or otherwise, but such monies shall be credited by Lessor against any Rent due at the time of such termination or re-entry or, at Lessor's option, against any damages payable by Lessee;

(c) Lessee shall be liable for and shall pay to Lessor, as damages, any deficiency between the Base Rent and Additional Rent payable hereunder for the period which otherwise would have constituted the unexpired portion of the Term (conclusively presuming the Base Rent and Additional Rent to be at the same rate as was payable for the year immediately preceding such termination or re-entry less any Additional Rent for such one-year period payable to Lessor by Lessee pursuant to Section 5.1 above) and the net amount, if any, of rents ("Net Rent") collected under any reletting effected by Lessor for any part of such period (after first deducting from the rents collected under any such reletting all of Lessor's reasonable expenses in connection with the termination of this Lease or Lessor's re-entry upon the Demised Premises and in connection with such reletting including all reasonable repossession costs, brokerage commissions, legal expenses, attorneys' fees, alteration or similar costs and other expenses of preparing the Demised Premises for such reletting);

(d) In the event that Lessor shall not have collected any monthly deficiencies as aforesaid, Lessor shall be entitled to recover from Lessee, and Lessee shall pay to Lessor, on demand, as and for liquidated and agreed final damages, a sum equal to the amount by which the Base Rent and Additional Rent payable hereunder for the period which otherwise would have constituted the unexpired portion of the Term (conclusively presuming the Base Rent and Additional Rent to be at the same rate as was payable for the year immediately preceding such termination or re-entry less any Additional Rent for such one-year period payable to Sublessor by Sublessee pursuant to Section 5.1 above) exceeds the then fair and reasonable rental value of the Demised Premises for the same period, both discounted to present value at the rate of eight percent (8%) per annum. If before presentation of proof of such liquidated damages to any court, commission or tribunal, the Demised Premises, or any part thereof, shall have been relet by Lessor for the period which otherwise would have constituted the unexpired portion of the Term, or any part thereof, the amount of rent upon such reletting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Demised Premises so relet during the term of the reletting; and

(e) In no event shall Lessee be entitled to receive any excess of Net Rent over the sums payable by Lessee to Lessor hereunder, and in no event shall Lessee be entitled in any suit for the collection of damages pursuant to this Article to a credit in respect of any Net Rent from a reletting except to the extent actually received by Lessor prior to the commencement of such suit.

11.5. If a default by Lessee shall have occurred and be continuing with respect to any obligations of Lessee under this Lease, Lessor may, at its option, upon reasonable prior notice to Lessee (unless Lessor reasonably believes there to be an emergency threatening Lessor's property outside the Demised Premises, or threatening substantial damage to Lessor's interest in the Demised Premises as Lessor, in which event no notice shall be

required and Lessor may act immediately), perform such obligations for the account of, and at the expense of, Lessee. The sums so paid or incurred by Lessor, in its sole discretion, together with interest at the rate specified in Section 3.3 hereof, costs and damages shall be due from and paid by Lessee, as Additional Rent, upon Lessee's receipt of written demand therefor from Lessor.

11.6. Nothing herein contained shall be construed as limiting or precluding the recovery by Lessor against Lessee of any sums or damages to which, in addition to the damages particularly provided above, Lessor may lawfully be entitled by reason of any default hereunder on the part of Lessee; provided, however, that in no event shall Lessor or Lessee be entitled to special or consequential damages with respect to any matter arising hereunder or relating hereto.

12. Indemnification.

12.1. Lessee shall indemnify and hold harmless Lessor and its employees and agents from and against any and all loss, cost, liability, claim, damage and expense, including, without limiting the generality of the foregoing, reasonable attorneys' fees and expenses and court costs, penalties and fines incurred in connection with or arising from any injury to Lessee or for any damage to, or loss (by theft or otherwise) of, any of the property of Lessee, irrespective of the cause of such injury, damage or loss and whether occurring in or about the Demised Premises or the Property.

12.2. Lessee shall indemnify and hold harmless Lessor and its officers, directors, shareholders and employees from and against any and all loss, cost, liability, claims, damage and expenses, including, without limiting the generality of the foregoing, reasonable attorneys' fees and expenses and court costs, penalties and fines, whether or not due to third party claims, suits or proceedings, incurred in connection with or arising from (a) any default by Lessee in the observance or performance of, or compliance with, any of the terms, covenants or conditions of this Lease on Lessee's part to be observed, performed or complied with, (b) the use or occupancy or manner of use or occupancy of the Demised Premises by Lessee or any of its agents, employees or contractors, or the exercise by Lessee or any of its agents, employees or contractors, of any rights granted to Lessee hereunder, (c) any acts, omissions or negligence of Lessee or any of its agents, employees or contractors, in or about the Demised Premises or the Property either prior to, during, or after the termination of this Lease or (d) the condition of the Demised Premises, but only to the extent that Lessee fails to perform any of its obligations hereunder with respect to the condition of the Demised Premises. If any action or proceeding shall be brought against Lessor by reason of any such claim, Lessee shall be given prompt notice thereof and, upon notice from Lessor, shall resist and defend such action or proceeding at Lessee's sole expense and employ counsel therefor reasonably satisfactory to Lessor. Lessee shall pay to Lessor on demand all sums which may be owing to Lessor by reason of the provisions of this subsection. Lessee's obligations under this subsection shall survive the Expiration Date or earlier termination of this Lease.

12.3. Lessor shall indemnify and hold harmless Lessee and Lessee's officers, directors, shareholders and employees from and against any and all loss, cost, liability, claims, damage and expenses, including, without limiting the generality of the foregoing, reasonable attorneys' fees and expenses and court costs, penalty and fines, whether or not due to third

party claims, suits or proceedings, incurred in connection with or arising from (a) any default by Lessor in the observance or performance of, or compliance with, any of the terms, covenants or conditions of this Lease on Lessor's part to be observed, performed or complied with, or (b) the gross negligence or wilful misconduct of Lessor (in its capacity as lessor hereunder) or any of its agents, employees or contractors (retained by Lessor in its capacity as lessor hereunder), in or about the Demised Premises or the Property either prior to, during, or after the termination of this Lease. If any action or proceeding shall be brought against Lessee by reason of any such claim, Lessor shall be given prompt notice thereof and, upon notice from Lessee, shall resist and defend such action or proceeding at Lessor's sole expense and employ counsel therefor reasonably satisfactory to Lessee. Lessor shall pay to Lessee on demand all sums which may be owed to Lessee by reason of the provisions of this subsection. Lessor's obligations under this subsection shall survive the Expiration Date or earlier termination of this Lease.

12.4. Lessor shall not be liable for any loss or damage to property of Lessee or any of its employees, guests, invitees or licensees by reason of theft or otherwise. Lessor shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain or leaks from any part of the Demised Premises or from the pipes, appliances or plumbing works or from the roof, street or subsurface or from any other place or by dampness or by any other cause of whatsoever nature, unless such injury or damage has been shown to have been due solely to the gross negligence or willful act or omission of Lessor, its affiliates, or the officers, directors, employees or agents of Lessor or its affiliates in the course of their employment. Subject to the foregoing, all property of Lessee or others kept or stored on the Demised Premises shall be so kept or stored at the risk of Lessee only.

12.5. Notwithstanding anything in this Section 12 to the contrary, neither party shall be required to indemnify the other party (an "indemnitee") against the indemnitee's own negligence or wilful misconduct.

13. Hazardous Materials.

13.1. Lessee shall not cause or permit any Hazardous Material (as hereinafter defined) to be brought upon, kept or used in or about the Demised Premises by the agents, principals, employees, assigns, sublessees, contractors, subcontractors, consultants or invitees of Lessee, except in full compliance with applicable Legal Requirements. If Lessee breaches the obligations stated in the preceding sentence, or if the introduction or release of a Hazardous Material on the Demised Premises caused or permitted by Lessee (or the aforesaid others) results in contamination of the Demised Premises or any surrounding area(s), or if contamination of the Demised Premises or any surrounding area(s) by Hazardous Material otherwise occurs for which Lessee is legally, actually or factually liable or responsible (other than liability which arises solely as a result of the tenancy created hereby or solely as a result of Lessor's mere occupancy of the Demised Premises), then Lessee shall fully and completely indemnify, defend and hold harmless Lessor (or any party claiming by, through or under Lessor) from any and all claims, judgments, damages, penalties, fines, costs, liabilities, expenses or losses, including, without limitation: (i) diminution in the value of the Demised Premises; (ii) any asserted damage to the Property or to neighboring properties or the occupants of the Property or neighboring properties, and (iii) any sums paid in settlement of claims,

reasonable attorneys' fees, consultants fees and expert fees which arise or arose before, during or after the term of this Lease as a consequence of such contamination. This indemnification includes, without limitation, costs incurred in connection with any investigation or site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Materials present in the soil or ground water on or under the Demised Premises for which Lessee is responsible pursuant to the terms of this Lease. Without limiting the foregoing, if the introduction or release of any Hazardous Materials on, under or about the Demised Premises or any other surrounding area(s) caused or permitted by Lessee (or the aforesaid others) results in any contamination of the Demised Premises, Lessee shall immediately take all actions at its sole expense as are necessary or appropriate to return the Demised Premises to the condition existing prior to the introduction by Lessee of any such Hazardous Materials thereto; provided that the prior written approval (which approval shall not be unreasonable withheld, conditioned or delayed) of such actions by Lessor shall be first obtained. The foregoing obligations and responsibilities shall survive the expiration or earlier termination of this Lease.

13.2. As used herein, the term "Hazardous Materials" means any hazardous or toxic substance, material or waste, including, but not limited to, those substances, materials, and wastes listed in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reorganization Act of 1986 (42 U.S.C. Section 9601 et seq., as amended), the Federal Clean Water Act, the Federal Clean Air Act, the Federal Resource Conservation and Recovery Act, the Federal Toxic Substances Control Act, the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 301 and amendments thereto), and all substances, materials and wastes that are defined as "toxic", "hazardous" or "extremely hazardous" or are otherwise regulated under any applicable local, state or federal law. In furtherance of, and not in limitation of the foregoing, the term "Hazardous Materials" shall include asbestos, asbestos-containing materials and petroleum.

13.3. Lessor and Lessee acknowledge and agree that the Asset Purchase Agreement shall govern all matters relating to the presence of Hazardous Materials in, on, under and about the Demised Premises prior to the execution and delivery hereof.

14. Right to Inspect.

14.1. Lessor and the authorized representatives of Lessor shall have the right to enter upon the Demised Premises upon reasonable advance notice to Lessee at all reasonable times during usual business hours (and at any time without notice in the case of an emergency) for the purpose of inspecting the same, conducting an environmental review of Lessee's business operations or exhibiting the same to prospective purchasers, tenants or mortgagees.

15. Eminent Domain.

15.1. If all of the Demised Premises are taken by exercise of the power of eminent domain (or conveyed by Lessor in lieu of such exercise) this Lease will terminate on a date (the "termination date") which

is the earlier of the date upon which the condemning authority takes possession of the Demised Premises or the date on which title to the Demised Premises is vested in the condemning authority. If more than 25% of the rentable area of the Demised Premises is so taken, or if Lessee's rights of access to the Demised Premises or Lessee's use of parking facilities at the Property are materially impaired as a result of such a taking, then Lessee will have the right to cancel this Lease by written notice to Lessor given within 20 days after the termination date. If less than 25% of the rentable area of the Demised Premises is so taken, or if the Lessee does not cancel this Lease according to the preceding sentence, the Base Rent will be abated in the proportion of the rentable area of the Demised Premises so taken to the rentable area of the Demised Premises immediately before such taking, and Lessee's Share will be appropriately recalculated. If 25% or more of the Property is so taken, Lessor may cancel this Lease by written notice to Lessee given within 30 days after the termination date. In the event of any such taking, the entire award will be paid to Lessor and Lessee will have no right or claim to any part of such award; however, Lessee will have the right to assert a claim against the condemning authority in a separate action, so long as Lessor's award is not otherwise reduced, for Lessee's moving expenses and leasehold improvements owned by Lessee.

16. Damage and Destruction.

16.1. If the Demised Premises or the Property are damaged by fire or other insured casualty, Lessor will give Lessee written notice of the time which will be needed to repair such damage, as determined by Lessor in its reasonable judgment, and the election (if any) which Lessor has made according to this Section 16. Such notice will be given before the 30th day (the "notice date") after the fire or other insured casualty.

16.2. If the Demised Premises or the building are damaged by fire or other insured casualty to an extent which may be repaired within 120 days after the notice date, as reasonably determined by Lessor, Lessor will promptly begin to repair the damage after the notice date and will diligently pursue the completion of such repair. In that event this Lease will continue in full force and effect except that Base Rent and (as appropriate) Additional Rent will be abated on a pro rata basis from the date of the damage until the date of the completion of such repairs (the "repair period") based on the proportion of the rentable area of the Demised Premises that Lessee is unable to use during the repair period.

16.3. If the Demised Premises or the Property are damaged by fire or other insured casualty to an extent that may not be repaired within 120 days after the notice date, as reasonably determined by Lessor, then (a) Lessor may cancel this Lease as of the date of such damage by written notice given to Lessee on or before the notice date or (b) Lessee may cancel this Lease as of the date of such damage by written notice given to Lessor within 10 business days after Lessor's delivery of a written notice that the repairs cannot be made within such 120-day period. If neither Lessor nor Lessee so elects to cancel this Lease, Lessor will diligently proceed to repair the Property and the Demised Premises, and Base Rent and (as appropriate) Additional Rent will be abated on a pro rata basis during the repair period based on the proportion of the rentable area of the Demised Premises that Lessee is unable to use during the repair period.

16.4. Notwithstanding the provisions of this Section 16, if a material portion of the Demised Premises or the Property is damaged by an

uninsured casualty, or if the proceeds of insurance are insufficient to pay for the repair of any material damage to the Demised Premises or the Property, Lessor will have the option to repair such damage or cancel this Lease as of the date of such casualty by written notice to Lessee on or before the notice date, provided, however, that such termination shall not be effective if Lessee, within 10 days after its receipt of such notice, delivers to Lessor the written agreement of Lessee (in form and substance reasonably satisfactory to Lessor) to pay or reimburse Lessor for the uninsured portion of the cost of such repairs.

16.5. If any such damage by fire or other casualty is the result of the negligence or wilful misconduct of Lessee, its agents, contractors, employees, or invitees, there will be no abatement of Base Rent or Additional Rent as otherwise provided for in this Section 16. Lessee will have no rights to terminate this Lease on account of any damage to the Demised Premises or the Property except as set forth in this Lease.

17. Remedies Cumulative.

17.1. Each right and remedy of Lessor under this Lease shall be cumulative and be in addition to every other right and remedy of Lessor under this Lease and now or hereafter existing at law or in equity, by statute or otherwise.

18. Quiet Enjoyment.

18.1. Lessor covenants that, as long as Lessee shall pay the Base Rent and Additional Rent and all other amounts Lessee shall be required to pay hereunder and shall duly observe, perform and comply with all of the terms, covenants and conditions of this Lease on its part to be observed, performed or complied with, Lessee shall, subject to all of the terms of this Lease, peaceably have, hold and enjoy the Demised Premises during the Term without molestation or hindrance by Lessor.

19. Release of Lessor.

19.1. The term "Lessor", as used in this Lease so far as covenants or obligations on the part of Lessor are concerned, shall be limited to mean and include only the owner or owners at the time in question of the Property, and in the event of any transfer or transfers of the fee interest in the Property, Lessor herein named shall be automatically freed and relieved from and after the date of such transfer of all liability with respect to the performance of any covenants or obligations on the part of Lessor contained in this Lease thereafter to be performed; provided, however, that no Lessor shall be freed or relieved from any of its obligations or liabilities hereunder which first arise or accrue prior to the transfer of such Lessor's interest in the Property.

20. Surrender of Demised Premises.

20.1. Lessee shall, no later than the termination of this Lease and in accordance with all of the terms of this Lease, vacate and surrender to Lessor the Demised Premises, together with all Alterations, in similar order, condition and repair as the same were in as of the Commencement Date, and broom clean, reasonable wear and tear, damages resulting from a casualty for which Lessee is not responsible, and other items the repair or remediation of which is the responsibility of Lessor

excepted. Tenant's obligation to observe or perform this covenant shall survive the termination of this Lease.

20.2. Notwithstanding any provision of law or any judicial decision to the contrary, no notice shall be required to terminate the Term on the Expiration Date, and the Term shall expire on the Expiration Date without notice being required from either party. In the event that Lessee remains beyond the Expiration Date, it is the intention of the parties and it is hereby agreed that a tenancy at sufferance shall arise at a monthly rent equal to 150% of the monthly Base Rent in effect at the expiration of the Term. It is further agreed that Lessee shall indemnify and hold harmless Lessor from and against any and all liability, claims, demands, expenses, damages and judgments (other than consequential or special damages) incurred by Lessor as a result of Lessee's retaining possession, which indemnification obligation shall survive the Expiration Date.

21. Notices.

21.1. All notices, consents, approvals or other communications (collectively, a "Notice") required to be given under this Lease or pursuant to law shall be in writing and, unless otherwise required by law, shall be delivered personally or by overnight courier service or given by registered or certified mail, return receipt requested, postage prepaid, to the parties at the following addresses (unless such address shall be changed by Notice from one party to the other):

To Lessor:

Unisys Corporation
P.O. Box 500
Blue Bell, PA 19424
Attention: Real Estate Administration

To Lessee:

Loral Corporation
600 Third Avenue
New York, NY 10016
Attention: Vice President/General Counsel

Any Notice given pursuant hereto shall be deemed to have been given and shall be effective when received, or when delivered and refused.

22. Lessor's Inability to Perform.

22.1. This Lease and the obligation of Lessee to pay Rent hereunder and perform all of the other covenants and agreements hereunder on the part of Lessee to be performed shall in no way be affected, impaired or excused because Lessor is unable to fulfill any of its obligations under this Lease expressly or impliedly to be performed by Lessor or because Lessor is unable to make, or is delayed in making, any repairs, additions, alterations, improvements or decorations or is unable to supply or is delayed in supplying any equipment or fixtures, if Lessor is prevented or delayed from so doing by reason of strikes or labor trouble or by accident, adjustment of insurance or by any cause whatsoever reasonably beyond Lessor's control, including but not limited to, laws, governmental preemption in connection with a national emergency or by reason of any rule, order or regulation or any federal,

state, county or municipal authority or any department or subdivision thereof or any government agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency.

23. Limitations or Liability.

23.1. It is specifically understood and agreed that there shall be absolutely no personal liability on the part of Lessor in respect of any of the terms, covenants and conditions of this Lease, and Lessee shall look solely to the interest of Lessor in the Demised Premises for the satisfaction of each and every remedy of Lessee in the event of any breach or default by Lessor, or by any successor in interest to Lessor, of any of the terms, covenants and conditions of this Lease to be performed by Lessor.

23.2. Nothing in this Section is intended to limit or affect any obligations of Lessor or any affiliate of Lessor which are contained in any separate agreement.

24. Asset Purchase Agreement.

24.1. Notwithstanding anything to the contrary contained herein, in the event of a conflict between the terms of this Lease and the terms of the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall govern.

24.2. As used herein, (a) the term "Asset Purchase Agreement" shall mean the Asset Purchase Agreement, dated as of March 20, 1995, between Unisys Corporation and Loral Corporation, as amended from time to time, and (b) the term "Transaction Documents" shall mean all agreements between Lessor and Lessee executed pursuant to, or in connection with, the Asset Purchase Agreement.

25. Miscellaneous.

25.1. This Lease shall be governed by and construed in accordance with the internal laws of the State in which the Demised Premises are located, without regard to the conflicts of law principles thereof.

25.2. The section headings in this Lease and the table of contents are inserted only as a matter of convenience for reference and are not to be given any effect in construing this Lease.

25.3. If any of the provisions of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision or provisions to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

25.4. All of the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and, subject to the provisions of Article 9 hereof, their respective successors and assigns.

25.5. Lessor has made no representations, warranties or covenants to or with Lessee with respect to the subject matter of this Lease

except as expressly provided herein or in the Transaction Documents and all prior negotiations and agreements relating thereto are merged into this Lease. This Lease may not be amended or terminated, in whole or in part, nor may any of the provisions be waived, except by a written instrument executed by the party against whom enforcement of such amendment, termination or waiver is sought.

26. Rider. A Rider to this Lease is attached hereto and incorporated herein by reference.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease as of the day and year first above written.

UNISYS CORPORATION, as Lessor

By:_____
Name: Harold S. Barron
Title: Senior Vice President

LORAL CORPORATION, as Lessee

By:_____
Name: Eric J. Zahler
Title: Vice President

RIDER

1. This Rider is a part of this Lease. In the event of any contradiction or inconsistency between the provisions of this Rider and the provisions of the other portions of this Lease, the provisions of this Rider shall govern and prevail, and the contradicting and inconsistent provisions of the other portions of this Lease shall be deemed amended accordingly.

2. Lessee (together with its employees, licensees, and invitees) shall have the non-exclusive right to use the 280 parking spaces at the Property designated on Schedule B to this Lease.

3. Lessee hereby agrees to provide the services described on Schedule D-1 attached hereto, which services were previously provided by Lessor's non-Defense Systems personnel, to the Demised Premises during the Term hereof. In connection therewith, Lessor and Lessee shall share supplies and equipment located at the Property for performance of their respective service obligations with respect to the Property until the exhaustion of such supplies and equipment. Thereafter, Lessor and Lessee shall separately purchase and use such supplies and equipment as each may determine it requires for performance of its respective service obligations.

4. With respect to contracts entered into by Lessor prior to the date of this Lease relating in whole or in part to the provision of services to the Demised Premises, which services Lessee has assumed the obligation to provide as of the date of this Lease and which services were previously provided by Lessor's non-Defense Systems personnel, (a) Lessor shall endeavor to terminate such contracts at the earliest possible time, provided Lessor shall not be obligated to breach such contracts and (b) Lessee shall be obligated to pay all sums due under such contracts for the provision of goods and services to the Demised Premises.

5. From the date hereof until the earlier of (a) the Expiration Date and (b) the service of written notice by Lessor of its election to terminate receipt of such services, Lessee shall continue to provide security services to the portions of the Property not part of the Demised Premises, of the type generally and customarily provided by Lessor's Defense Systems unit to the Property prior to the date hereof.

SCHEDULE A

PROPERTY

As used in this Lease, the "Property" shall mean Buildings D, D Annex and Z at 322 North 2200 West, Salt Lake City, Utah.

SCHEDULE B

DEMISED PREMISES

As used in this Lease, the "Demised Premises" shall mean 133,888 rentable square feet, minus the usable square footage of the cafeteria located in Building D, measured in accordance with BOMA standards, located in Buildings D, D Annex and Z at 322 North 2200 West, Salt Lake City, Utah, which premises are identified on the plans attached hereto.

SCHEDULE C

SCHEDULED EXPIRATION DATE/BASE RENT

As used in this Lease, "Scheduled Expiration Date" means December 31, 2001.

As used in this Lease, "Base Rent" shall mean, with respect to any calendar month, all actual costs and expenses relating to the Property (including common areas and facilities) that are allocated by Lessor to the Demised Premises for such month, provided that Lessor's method of allocation shall be consistent with the method of allocation used by Unisys Corporation to allocate costs to the Unisys Defense Systems unit with respect to the occupancy of the Demised Premises by the Unisys Defense Systems unit during calendar year 1994. Such costs and expenses shall include cash items and non-cash items, such as depreciation. In the event that Base Rent for any calendar quarter (as calculated above) shall not be determinable by Lessor until after the end of such calendar quarter, then Base Rent shall be payable during such calendar quarter based upon Lessor's reasonable estimate of costs and expenses to be allocated to the Demised Premises. Lessor shall, as soon as practicable after the end of such calendar quarter, provide Lessee with a written statement of the Base Rent amount for such calendar quarter and, subject to Section 3.5 of the Lease, the parties shall promptly thereafter make any necessary reconciliation payments.

SCHEDULE D

SERVICES TO BE PROVIDED BY LESSOR

With respect to Buildings D and D-Annex:

1. Repair and maintenance of building structure, including building shell, windows, exterior doors and roof.

2. Repair and maintenance of all common mechanical and electrical equipment and equipment exterior to the building, including boilers, major air conditioning equipment, air compressor, major electrical panels, main fire water systems and risers, main water supplies and building sewer systems.

3. Repair and maintenance of all building grounds including parking lots, landscaping and snow removal.

With respect to Building Z:

1. Repair and maintenance of all building grounds, including parking lots, landscaping and snow removal.

2. Repair and maintenance of all utilities up to the termination point with the building.

3. Repair and maintenance of main fire water systems and risers.

SCHEDULE D-1

SERVICES NOT TO BE PROVIDED BY LESSOR

With respect to the Demised Premises in Buildings D, D-Annex and Z:

1. Interior maintenance, repairs and janitorial services.

2. Alterations (as permitted by this Lease), moving and rearranging services.

3. Fire protection services and monitoring.

EXHIBIT 10.82

SUBLEASE

Between

UNISYS CORPORATION,

as Sublessor

and

LORAL CORPORATION,

as Sublessee

BLDG E-F

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ASSIGNMENT AND ASSUMPTION OF SUBLEASE

THIS ASSIGNMENT AND ASSUMPTION OF SUBLEASE (this "Assignment") is dated as of April 29, 1997 among Lockheed Martin Tactical Systems, Inc., a New York corporation (the "Assignor"), L-3 Communications Corporation, a Delaware corporation (the "Assignee"), and Unisys Corporation, a Delaware corporation, tenant under a master lease by and between Unisys Corporation and Harris Trust and Savings Bank as Trustee for Burroughs Employee's Retirement Fund (the "Landlord"), with reference to the following:

RECITALS

A. The Landlord, as landlord, and the Assignor, as tenant, executed a Sublease Agreement dated May 5, 1995, (which, together with all modifications, amendments and supplements thereof, is hereinafter referred to collectively as the "Sublease"), a copy of which is attached hereto and incorporated by reference as Exhibit A, pursuant to which Landlord subleased to the Assignor and the Assignor subleased from Landlord property and improvements described therein located in Salt Lake City, Utah, (Buildings E and F) (the "Premises").

B. The Assignee is acquiring certain assets and assuming certain liabilities from the Assignor including the Assignor's rights, leasehold interest and obligations under the Sublease.

C. In connection with such acquisition, the Assignor desires to assign the Sublease to the Assignee, and the Assignee desires to accept the assignment of the Sublease from the Assignor.

D. The Landlord has agreed to enter into this Assignment to, among other things, evidence its consent to such assignment of the Sublease.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Assignor, the Assignee and the Landlord hereby covenant and agree as follows:

1. Assignment. The Assignor grants, assigns and transfers to the Assignee, its successors and assigns, all of the Assignor's right, title and interest in, to and under the Sublease (including, without limitation, any options under the Sublease and any rights to extend or renew the Sublease) and the Assignee accepts from the Assignor all of the Assignor's right, title and interest in, to and under the Sublease.

2. Assumption of Sublease Obligation. The Assignee assumes and agrees to perform and fulfill all terms, covenants, conditions and obligations required to be performed and fulfilled by the Assignor under the Sublease, including, without limitation, the obligation to make all payments due or payable on behalf of the Assignor under the Sublease as they become due and payable.

3. Representations of Assignor and Landlord. The Assignor and the Landlord represent to the Assignee as follows:

(a) The Sublease attached hereto as Exhibit A is a true, correct and complete copy of the Sublease (including all modifications, amendments

and supplements thereof) and the same are the only agreements between Landlord and the Assignor with respect to the subject matter thereof.

(b) The Sublease is in full force and effect and, except for the modifications, amendments and supplements included in Exhibit A, the Sublease has not been modified, amended or supplemented.

(c) Except as set forth on Exhibit B, no default by the Assignor or the Landlord has occurred and is continuing under the Sublease, and no event has occurred and is continuing which with the giving of notice or the lapse of time or both would constitute a default thereunder.

(d) No minimum or base rent or other rental has been paid in advance (except for the current month) and a security deposit in the amount of $0.00 has been paid to the Landlord.

(e) The monthly amount of base rent due under the Sublease as of May 1, 1997, is $221,500 and the minimum or base rent and all other rentals and other payments due, owing and accruing under the Sublease have been paid through April 30, 1997.

(f) The term of the Sublease commenced on May 5, 1995, and the current term of the Sublease expires on December 31, 2001.

4. Landlord's Consent. The Landlord hereby consents to the Assignor's assignment of the Sublease to the Assignee and the Assignee's assumption of the Sublease. Landlord's consent to the Assignor's assignment of the Sublease to the Assignee shall not be deemed to release the Assignor from any of its obligations under the Sublease or to alter any provision of the Sublease and/or the primary liability of the Assignor for the payment of minimum or base rent or any additional rent due under the Sublease or for the performance of any other obligations to be performed by the Assignor under the Sublease.

5. Successors and Assigns. This Assignment shall be binding on and inure to the benefit of the parties hereto, and their respective heirs, personal representatives, successors and assigns, provided that this Section 5 shall not be construed to permit any future assignments of the Sublease or subletting of the Premises except as permitted by the Sublease.

6. Counterparts. This Assignment may be signed in counterpart and, as so executed, shall constitute a binding agreement.

7. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the state in which the Premises are located.

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

WITNESS/ATTEST:

Renata J. Baker

Robert

ASSIGNOR:

LOCKHEED MARTIN TACTICAL SYSTEMS, INC.

By: Stephen M. Piper (SEAL)
Name: Stephen M. Piper
Title: Vice President & Asst. Secretary

ASSIGNEE:

L-3 COMMUNICATIONS CORPORATION

By: M. Strianese (SEAL)
Name: Michael T. Strianese
Title: Vice President

WITNESS/ATTEST:

Ronald C. Anderson
Assistant Secretary

LANDLORD:

UNISYS CORPORATION

By: Gregory T. Fischer (SEAL)
Name: Gregory T. Fischer
Title: Vice President

STATE OF NEW YORK, COUNTY OF QUEENS, TO WIT:

On this the 23rd day of May, 1997, before me a notary public of said State, Michael T. Strianese, the undersigned officer, personally appeared Michael T. Strianese, who acknowledged himself to be an officer of L-3 Communications, a Delaware corporation, and that he, as such Vice President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as a Vice President.

IN WITNESS WHEREOF, I hereunder set my hand and official seal.

Elizabeth A. Maki
Notary Public

My Commission Expires: June 30, 1997

STATE OF MARYLAND, COUNTY OF MONTGOMERY, TO WIT:

On this the 2nd day of June, 1997, before me a notary public of said State, Stephen M. Piper, the undersigned officer, personally appeared before me, who acknowledged himself to be a Vice President & Asst. Secretary of Lockheed Martin Tactical Systems, Inc., a New York corporation, and that he, as such Officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as a Vice President & Asst. Secretary.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Jennifer E. Bashaw
Notary Public

My Commission Expires: December 1, 2000

STATE OF PENNSYLVANIA, COUNTY OF MONTGOMERY, TO WIT:

On this the 29th day of April, 1997, before me a notary public of said State, Pennsylvania, the undersigned officer, personally appeared Gregory T. Fischer, who acknowledged himself to be a Vice President of Unisys Corporation, a Delaware corporation, and that he, as such Vice President, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as a Vice President.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Robin Angstadt
Notary Public

My Commission Expires: Oct. 5, 1998

EXHIBIT A

THE SUBLEASE

SUBLEASE

SUBLEASE, dated as of May 5, 1995, between UNISYS CORPORATION, a Delaware corporation having an office at Township Line and Union Meeting Roads, Blue Bell, Pennsylvania 19424 ("Sublessor") and LORAL CORPORATION, a New York corporation having an office at 600 Third Avenue, New York, New York 10016 ("Sublessee").

W I T N E S S E T H :

WHEREAS, the landlord under the Master Lease described on Schedule A hereto (the "Landlord") is the owner of the real property (including improvements) described on such Schedule A (collectively, the "Property"), and under the Master Lease the Landlord has leased to Sublessor certain premises at the Property; and

WHEREAS, Sublessor desires to sublet to Sublessee, and Sublessee desires to hire from Sublessor, a portion of the premises demised under the Master Lease upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter provided, Sublessor and Sublessee hereby agree as follows:

1. Demised Premises.

1.01. Sublessor hereby sublets to Sublessee, and Sublessee hereby sublets and hires from Sublessor, the Demised Premises, as defined in Schedule B hereto, together with the non-exclusive right to use the common areas of the Property and such other rights as are necessary or desirable to provide Sublessee with substantially the same rights and benefits as have been generally afforded to and enjoyed by the Defense Systems unit of Unisys Corporation ("Defense Systems") prior to the date hereof (including, without limitation, rights of ingress and egress, parking consistent with past practice or otherwise as set forth in the Rider attached to this Sublease, and access to public and private utilities) for the sublease term hereinafter stated and for the Base Rent and Additional Rent (both as hereinafter defined) set forth herein, upon and subject to all of the terms and provisions hereinafter provided or incorporated in this Sublease by reference.

1.02. Sublessee agrees to accept the Demised Premises on the Commencement Date (as hereinafter defined) in its "as is" condition and Sublessor shall not be obligated to perform any work or furnish any materials in, to or about the Demised Premises in order to prepare the Demised Premises for occupancy by Sublessee or otherwise. Sublessee hereby releases Sublessor from any and all liability resulting from (i) any latent or patent defects in the Demised Premises, (ii) the failure of the Demised Premises to comply with any legal requirements applicable thereto or (iii) the status of the title to the Demised Premises, provided that the foregoing release of liability is not intended to limit or otherwise affect any liability that Sublessor or any affiliate of Sublessor may have to Sublessee or any affiliate of Sublessee which arises under any of the other terms and conditions of this Sublease or under the terms and conditions of any other agreement. Sublessee acknowledges that, except as expressly set forth herein or as expressly set forth in any separate document, Sublessor has made no statements, representations, covenants or warranties with respect to (x) the condition or

manner of construction of the Property or any improvements constructed in the Demised Premises, (y) the uses or purposes for which the Demised Premises may be lawfully occupied or (z) any encumbrances, covenants, restrictions or agreements affecting title to the Property or the Demised Premises. Sublessee also agrees that, in executing this Sublease, it has not relied upon or been induced by any statements, representations, covenants or warranties of any person other than those, if any, set forth expressly in this Sublease or in any other separate agreements by or between Sublessor and/or Sublessee or any of their respective affiliates.

2. Term.

2.01. (a) The term of this Sublease shall commence on the date hereof (the "Commencement Date") and, unless earlier terminated or extended as herein provided, shall expire on the Expiration Date. As used in this Sublease, (i) "Term" shall mean the term of this Sublease, and (ii) "Expiration Date" shall mean the Scheduled Expiration Date, as defined in Schedule C hereto; provided that (A) in no event shall the Expiration Date occur later than 11:59 p.m. on the day immediately preceding the expiration of the term of the Master Lease, and (B) in the event of a termination of this Sublease pursuant to the terms hereof prior to the Scheduled Expiration Date, the "Expiration Date" shall mean such date of termination of this Sublease.

(b) Notwithstanding anything to the contrary in this Sublease, the Term shall be immediately terminated if the term of the Master Lease is terminated for any reason prior to the Scheduled Expiration Date.

(c) References in this Sublease to the "termination" of this Sublease include the stated expiration of the Term and any earlier termination thereof pursuant to the provisions of this Sublease, or the Master Lease or by law. Except as otherwise expressly provided in this Sublease with respect to those obligations of Sublessee which by their nature or under the circumstances can only be, or under the provisions of this Sublease may be, performed after the termination of this Sublease, the Term and estate granted hereby shall end at noon on the date of termination of this Sublease as if such date were the Expiration Date, and neither party shall have any further obligation or liability to the other after such termination. Notwithstanding the foregoing, any liability of Sublessor or Sublessee to make any payment under this Sublease, including, without limitation, amounts payable by Sublessee as Base Rent or Additional Rent hereunder (both as hereinafter defined), which shall have accrued prior to the termination of this Sublease shall survive the termination of this Sublease.

3. Rent.

3.01. The rent ("Rent") payable during the Term under this Sublease shall consist of the following:

(a) the Base Rent, as defined in Schedule C hereto.

(b) additional rent ("Additional Rent") in an amount equal to any and all other sums payable by Sublessee to Sublessor under this Sublease.

3.02. Except as otherwise specifically provided in this Sublease (a) all payments of Base Rent shall be in equal monthly installments and shall be made in advance on the first (1st) day of each month during the Term, without notice (provided that if the amount of Base Rent is required to be calculated by Sublessor in accordance with Schedule C hereof, then Sublessor shall give Sublessee prior written notice of such calculation, which notice shall include an explanation of the basis for such calculation and reasonable backup documentation relating thereto), and (b) all payments of Additional Rent shall be made within 30 days after written notice from Sublessor, in each case by check payable to the order of "UNISYS CORPORATION" and addressed to Unisys Corporation, P.O. Box 500, Blue Bell, Pennsylvania 19424-0003, Attention: Disbursement & Control - Dept. or to such other person or at such other place as Sublessor may from time to time designate in writing.

3.03. Sublessee shall pay all Rent when due, in lawful money of the United States which shall be legal tender for the payment of all debts, public and private, at the time of payment. All sums due and payable by Sublessor or Sublessee pursuant to the terms of this Sublease that are not paid within five (5) days of the due date therefor shall from and after the due date bear interest at an annual percentage rate of ten percent (10%). All interest accrued and payable by Sublessee under this subsection as hereinabove provided shall be deemed to be Additional Rent payable hereunder and due at such time or times as the rent with respect to which such interest shall have accrued shall be payable under this Sublease.

3.04. Sublessee agrees to pay, as Additional Rent, any revenue tax or charge, occupancy tax, business privilege tax, business use tax or any other tax that may be levied against the Demised Premises or Sublessee's use or occupancy thereof during the Term; provided, however, that in no event shall Sublessee be obligated to pay any income tax that is imposed upon and/or payable by Sublessor, and provided further that payments made by Sublessee pursuant to this Section 3.4 shall not be duplicative of amounts paid by Sublessee pursuant to any other provision of this Sublease.

3.05. In the event that Sublessee shall dispute any calculation of Rent charged to Sublessee by Sublessor, then Sublessee shall send to Sublessor a written notice, within 30 days of receipt by Sublessee of such charge, setting forth the basis for Sublessee's dispute. Sublessor and Sublessee shall thereupon use reasonable and good faith efforts to resolve such dispute. If the parties are unable to resolve such dispute within 30 days after submission by Sublessee of its dispute notice, then the parties shall designate an independent certified public accountant mutually acceptable to both parties (the "Independent Accountant") to resolve such dispute, and the fees and charges of the Independent Accountant shall be shared equally by the parties. Both parties shall provide the Independent Accountant with all information reasonably requested by the Independent Accountant in connection with its review of such dispute, and both parties shall request that the Independent Accountant complete its work expeditiously and issue a written report to both parties setting forth its determination. The written determination of the Independent Accountant shall be final and shall be binding upon both Sublessor and Sublessee. All disputes to be resolved pursuant to this Section 3.5 shall be so resolved in accordance with the principles and standards set forth in Section 3.7 below.

3.06. Sublessor shall furnish to Sublessee copies of any material statements and other material documents and information which are

provided to Sublessor by Landlord pursuant to the Master Lease. Without limiting any other obligations of Sublessor hereunder, Sublessor agrees it will, upon reasonable request from Sublessee, exercise on Sublessee's behalf, and at Sublessee's sole cost, any rights of Sublessor under the Master Lease to review and inspect records and otherwise obtain information from Landlord.

3.07. All calculations by Sublessor of Base Rent, Additional Rent and any other amounts that are payable by Sublessee hereunder shall be made in accordance with Sublessor's past practices during calendar year 1994 with respect to Defense Systems, and all charges and allocations relating to the Demised Premises and all accounting practices utilized by Sublessor with respect to amounts charged to Sublessee under this Sublease (including the capitalization, amortization and expensing of costs incurred and funds expended) shall also be made in such manner.

4. Use.

4.01. Sublessee shall occupy and use the Demised Premises only for the uses permitted under the Master Lease and for no other purpose, and in all respects only as permitted under the terms and provisions of this Sublease and the Master Lease, and in accordance with any and all laws, statutes, ordinances, orders, regulations and requirements of all federal, state and local governmental, public or quasipublic authorities, whether now or hereafter in effect, which may be applicable to or in any way affect the Demised Premises or any part thereof and all requirements, obligations and conditions of all instruments of record on the date of this Sublease affecting the Demised Premises (collectively, "Legal Requirements").

5. Master Lease.

5.01. Subject to Section 5.3 below, this Sublease and all of Sublessee's rights hereunder are and shall remain in all respects subject and subordinate to (i) all of the terms and provisions of the Master Lease, a true and complete copy of which has been delivered to and reviewed by Sublessee, (ii) any and all amendments to the Master Lease or supplemental agreements relating thereto hereafter made between Landlord and Sublessor and (iii) any and all matters to which the tenancy of Sublessor, as tenant under the Master Lease, is or may be subordinate. Sublessee shall in no case have any rights under this Sublease greater than Sublessor's rights as tenant under the Master Lease. The foregoing provisions shall be self-operative and no further instrument of subordination shall be necessary to effectuate such provisions unless required by Landlord or Sublessor, in which event Sublessee shall, upon demand by Landlord or Sublessor at any time and from time to time, execute, acknowledge and deliver to Sublessor and Landlord any and all instruments that Sublessor or Landlord, in the reasonable discretion of either of them, may deem necessary or proper to confirm such subordination of this Sublease, and the rights of Sublessee hereunder, subject to Section 5.3(a) hereof.

5.02. Sublessee agrees that it shall neither act, nor omit to act, in such a manner as to result in a default under the Master Lease, provided that in no event shall Sublessee be responsible for acts and omissions of Sublessor or Sublessor's agents, employees or contractors. Except as otherwise specifically provided in the next sentence and elsewhere in this Sublease, (i) all of the terms, covenants, conditions and agreements which Sublessor is required to observe or perform with respect to the Demised Premises as tenant under the Master Lease are hereby incorporated herein by

reference and Sublessee shall observe and perform all of such terms, covenants, conditions and agreements as if such terms, covenants, conditions and agreements were set forth herein at length, and (ii) Sublessor may exercise all of the rights, powers, privileges and remedies reserved to Landlord under the Master Lease to the same extent as if fully set forth herein at length, including, without limitation, all rights and remedies arising out of or with respect to any default by Sublessee in the payment of Rent hereunder or the observance or performance of the terms, covenants, conditions and agreements of this Sublease and the Master Lease (except as specifically provided herein). The terms and conditions of the Master Lease described on Schedule D hereto shall not be incorporated herein by reference, nor shall any terms or conditions of the Master Lease that, by their terms, are inapplicable to, or inconsistent with this Sublease, be incorporated by reference herein. In amplification of, and not in limitation of, the foregoing, in no event shall any rights or options under the Master Lease to renew or extend the term thereof be incorporated by reference in this Sublease for the benefit of Sublessee. Notwithstanding the foregoing, any inconsistencies between the terms of the Master Lease incorporated by reference hereunder and the other terms of this Sublease or any of the Transaction Documents (as hereinafter defined) shall be resolved in favor of such other terms of this Sublease or the terms of the Transaction Documents, provided, however, that if such construction of terms would cause Sublessor to be in default under the terms of the Master Lease, then such inconsistency shall be resolved in favor of the Master Lease. In addition, in the event that Sublessor is in default of any of its obligations under the Master Lease as of the date hereof and such obligation is not a DS Liability (as defined in the Asset Purchase Agreement), then Sublessee shall not be required to cure such default by virtue of the incorporation by reference provisions of this Sublease.

5.03. Sublessor agrees that it shall neither act, nor omit to act, in such a manner as to result in a default under the Master Lease, provided that in no event shall Sublessor be responsible for acts and omissions of Sublessee or Sublessee's agents, employees or contractors. Provided that Sublessee is not then in default under the terms of this Sublease beyond applicable grace periods, Sublessor agrees that, during the Term hereof, without the prior written consent of Sublessee, which consent shall not be unreasonably withheld or delayed, Sublessor will not (a) consent to a termination of the Master Lease (to the extent that Sublessor's consent is required pursuant to the Master Lease) or amend or modify the Master Lease in any way which would materially reduce, materially interfere with or otherwise materially impair any rights, powers or remedies of Sublessee, decrease in any material respect the obligations of Landlord or Sublessor which, under the terms of this Sublease, run to the benefit of Sublessee or increase the monetary obligations of Sublessee or increase in any material respect any other obligations of Sublessor for which Sublessee is responsible hereunder, or (b) consent (in the event that Sublessor's consent is required pursuant to the Master Lease) to the subordination of the Master Lease to any mortgage, underlying lease or similar instrument. Notwithstanding the foregoing, in no event shall Sublessor be required under this Sublease to exercise any renewal or extension option set forth in the Master Lease.

5.04. Notwithstanding anything to the contrary contained herein, in the event of a conflict between the terms of this Sublease and the terms of the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall govern.

5.05. As used herein, (a) the term "Asset Purchase Agreement" shall mean the Asset Purchase Agreement, dated as of March 20, 1995, between Unisys Corporation and Loral Corporation, as amended from time to time, and (b) the term "Transaction Documents" shall mean all agreements between Sublessor and Sublessee executed pursuant to, or in connection with, the Asset Purchase Agreement other than this Sublease.

6. Services.

6.01. It is the intent of the parties that Sublessor shall continue to provide to Sublessee all services, utilities, repairs and facilities generally and customarily provided by Unisys Corporation to the occupants of the Demised Premises prior to the Commencement Date, together with any other services that may be appropriate under the circumstances from time to time (such services being hereinafter referred to collectively as the "Services"). In connection with the foregoing, such Services shall include, without limitation, each of the services set forth on Schedule E hereto, and such Services shall not include any of those items set forth on Schedule E-1 hereto. Sublessee shall pay to Sublessor, in consideration for the Services and as Additional Rent, an amount equal to Sublessor's actual costs to perform such Services in, to or for the benefit of the Demised Premises or Sublessee, which shall be determined in accordance with the principles set forth in Section 3.7 above ("Actual Costs"). On a quarterly basis, Sublessor shall provide to Sublessee a written statement, in reasonable detail, setting forth such Actual Costs for Services. In the event that Sublessee disputes Sublessor's statement of Actual Costs, such dispute shall be resolved in accordance with Section 3.5 hereof.

6.02. It is the intent of the parties that Sublessee shall continue to provide to Sublessor, during the Term hereof, all reasonable services generally and customarily provided by Defense Systems, prior to the Commencement Date, to the other portions of the Property leased by Sublessor under the Master Lease. Sublessee shall perform such services, and Sublessor shall pay to Sublessee a proportionate share of Sublessee's actual costs incurred in performing such services. On a quarterly basis, Sublessee shall provide to Sublessor a written statement, in reasonable detail, setting forth such costs. In the event of a dispute with respect to such costs, such dispute shall be resolved in accordance with Section 3.5 hereof.

6.03. In the event that telephone switching equipment or other telecommunications equipment utilized by Sublessor or Sublessee is located within the premises occupied by the other party, then the party occupying such premises shall grant the other party reasonable access to such telephone switching equipment or other telecommunications equipment and other areas reasonably required for such telecommunications use, subject in each case to reasonable security requirements of the party granting such access.

6.04. The provisions of this Section shall survive the expiration or earlier termination of this Sublease.

7. Alterations and Repairs; Demising Costs; Signage.

7.01. As used herein, the term "Alterations" shall mean, collectively, any alterations, modifications, installations, additions or improvements to the Demised Premises. Without the prior written consent of Sublessor in each instance, which consent shall not be unreasonably withheld, conditioned or delayed, Sublessee shall not make any (a) structural

Alterations or (b) non-structural Alterations having a design and construction cost in excess of $100,000 on a per project basis. Any Alterations consented to by Sublessor, or otherwise permitted under this Sublease, shall be performed by Sublessee, at its sole cost and expense, and in compliance with all of the provisions of the Master Lease, including the provisions requiring Landlord's prior written consent, and such other reasonable requirements of Sublessor. Sublessor shall have the right to post notices of non-responsibility and similar notices, as Sublessor shall reasonably deem appropriate, on the Demised Premises while Alterations are occurring.

7.02. Sublessor shall have no obligations whatsoever to Sublessee to make any repairs (except to the extent provided in Schedule E and Schedule E-1 hereto) or Alterations in the Demised Premises to any systems serving the Demised Premises or to any equipment, fixtures or furnishings in the Demised Premises, or to comply with any violations of law with respect thereto, or to restore the Demised Premises in the event of a fire or other casualty therein or to perform any other duty with respect to the Demised Premises which Landlord is required to perform under the Master Lease. Subject to Section 6.2 and 6.3 hereof and Schedule E and Schedule E-1 hereto, Sublessee shall look solely to Landlord for the making of any and all repairs in the Demised Premises and the performance of any and all such other work and responsibilities and only to the extent required by the terms of the Master Lease.

7.03. Sublessor and Sublessee shall use reasonable and good faith efforts to reach a mutual agreement as to whether any Alterations are necessary and appropriate in order to separate the Demised Premises from the premises in the Property occupied by Sublessor. In the event that the parties reach such a mutual agreement, then Sublessor shall perform such agreed upon Alterations, and Sublessee shall, within thirty (30) days after written demand by Sublessor, reimburse Sublessor for one-half of the costs and expenses relating to such Alterations. Sublessor may request payment of Sublessee's share of such costs, and (if requested) Sublessee shall pay its share of such costs, as such costs are incurred by Sublessor during the course of design and construction of such Alterations. Sublessor shall require that (a) any contractors or subcontractors performing any such work maintain reasonable and appropriate liability insurance and (b) any such insurance policies shall name Sublessor, Sublessee and Landlord as additional insureds.

7.04. Sublessee shall have the right to install reasonable and appropriate signage, both at the entrance to the Demised Premises and in the common areas of the Property, indicating Sublessee's occupancy of the Demised Premises, provided that the location, size and design of any such signage shall be subject to the prior written consent of Sublessor, which consent shall not be unreasonably withheld or delayed.

7.05. Sublessee shall indemnify and hold harmless Sublessor and Landlord from all costs, expenses, liabilities and obligations arising out of the filing of any mechanic's or materialman's lien against the Demised Premises by reason of any act or omission of Sublessee.

7.06. In the event that the Demised Premises are measured or re-measured pursuant to the terms of this Sublease (inclusive of the Rider, if any, and Schedules attached hereto), Sublessor and Sublessee shall

each pay one-half (1/2) of the costs and expenses relating to such measurement or re-measurement.

8. Insurance.

8.01. Sublessee, at Sublessee's sole expense, shall maintain for the benefit of Sublessor and Landlord such policies of insurance (and in such form) as are required by the Master Lease with respect to the Demised Premises which shall be reasonably satisfactory to Sublessor as to coverage and insurer (who shall be licensed to do business in the State in which the Demised Premises are located) provided that such insurance shall at a minimum include comprehensive general liability insurance protecting and indemnifying Sublessor, Landlord and Sublessee against any and all claims and liabilities for injury or damage to persons or property occurring upon, in or about the Demised Premises, and the public portions of the Property, caused by or resulting from or in connection with any act or omission of Sublessee or Sublessee's employees, agents or invitees. Sublessor and Landlord shall each be named as an additional insured under any such policies of insurance obtained by Sublessee, and no such policy shall be subject to termination or modification unless at least thirty (30) days' prior written notice (or ten (10) days' prior written notice, if such termination results from Sublessee's failure to pay the premium for such insurance) shall have been given by the applicable insurance company to Sublessor and Landlord. Upon execution of this Sublease by Sublessee and at least thirty (30) days prior to the expiration date of such policies, Sublessee shall furnish to Landlord and Sublessor a certificate or certificates of insurance confirming that the required insurance is in full force and effect with all premiums paid current. Nothing contained herein shall limit, or prohibit Sublessee from providing such coverage through "blanket" policies of insurance and/or self-insuring therefor in a manner that is consistent with the general corporate practices of Sublessee.

8.02. Nothing contained in this Sublease shall relieve Sublessee from any liability as a result of damage from fire or other casualty, but each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty. To the extent that such insurance is in force and collectible and to the extent permitted by law, Sublessor and Sublessee each hereby releases and waives all right to recovery against the other or anyone claiming through or under the other by way of subrogation or otherwise. The foregoing release and waiver shall be in force only if the insurance policies of Sublessor and Sublessee provide that such release or waiver does not invalidate the insurance; each party agrees to use reasonable efforts to include such a provision in its applicable insurance policies. If the inclusion of said provision would involve an additional expense, either party, at its sole expense, may require such provision to be inserted in the other's policy.

9. Assignment, Subletting and Encumbrances.

9.01. Sublessee shall not sublease or mortgage, pledge or otherwise encumber all or any part of the Demised Premises, assign or mortgage this Sublease (by operation of law or otherwise) or permit the Demised Premises to be used or occupied by anyone other than Sublessee, Sublessee's divisions and other Affiliates, and Sublessee's licensees, invitees, customers and vendors, without the prior written consent of Sublessor in each instance, which consent shall not be unreasonably withheld,

conditioned or delayed; provided, however, that Sublessee, upon at least 30 days prior written notice to Sublessor and upon Sublessee's obtaining any required consent of Landlord under the Master Lease, may assign this Sublease or sublet all or part of the Demised Premises to (A) an Affiliate of Sublessee, (B) an entity into which Sublessee is merged or consolidated, and (C) an entity which acquires all or substantially all of the business or operations of Sublessee. Any consent by Sublessor and/or Landlord as hereinabove required shall not excuse Sublessee from its obligation to obtain the express written consent of Sublessor and/or Landlord to any further action or matter with respect to which the consent of Sublessor and Landlord is hereinabove required and Sublessee shall not be released from any of its obligations hereunder. The term "Affiliate", as used in this Section 9.1, shall have the same meaning as is set forth in the Asset Purchase Agreement.

10. Default.

10.01. (a) Each of the following shall constitute an Event of Default hereunder:

(i) if Sublessee shall fail to pay when due any Rent or any other amount Sublessee may be required to pay hereunder, and Sublessee shall fail to remedy such default within seven (7) business days after written notice thereof has been given to Sublessee by Sublessor, provided that any Event of Default shall not be deemed to have occurred hereunder if Sublessee shall have timely disputed in good faith its obligation to pay such Rent or the amount thereof; or

(ii) subject to Section 10.1(b) below, if Sublessee shall default in the observance or performance of any term, covenant or condition of this Sublease on Sublessee's part to be observed, performed or complied with (other than the payment of Base Rent and Additional Rent and other amounts payable hereunder) and Sublessee shall fail to remedy such default within thirty (30) days after written notice to cure, or, if such default is of such a nature that for reasons beyond Sublessee's control it cannot be completely remedied within said period of thirty (30) days, then if Sublessee (A) shall not promptly institute and thereafter diligently prosecute to completion all steps necessary to remedy the same and (B) shall not remedy the same within a reasonable time after the date of default; or

(iii) if any event shall occur or any contingency shall arise whereby this Sublease or the estate hereby granted or the unexpired balance of the Term would, except as expressly permitted herein, by operation of law or otherwise, devolve upon or pass to any person or entity other than Sublessee, and Sublessee shall fail to remedy such default within sixty (60) days after written notice thereof has been given to Sublessee by Sublessor;

(b) Upon the occurrence of any such Event of Default, Sublessor may, in addition to exercising any other available rights or remedies, give to Sublessee notice of its intention to end the Term at the expiration of three (3) days from the date of the giving of such notice, and, in the event such notice is given, this Sublease and the Term and estate hereby granted (whether or not the Term shall have commenced) shall terminate upon the expiration of said three (3) days with the same force and effect as if that day were the Expiration Date, provided, however, that Sublessor and Sublessee shall remain liable for the performance of their respective obligations hereunder which survive the termination of this Sublease and for damages as provided in this Sublease.

10.02. Notwithstanding anything to the contrary set forth herein, this Sublease shall immediately terminate if any of the following events shall occur with respect to Sublessee: (a) if Sublessee shall (i) have applied for or consented to the appointment of a receiver, trustee or liquidator, or other custodian of Sublessee, or any of its properties or assets, (ii) have made a general assignment for the benefit of creditors, (iii) have commenced a voluntary case for relief as a debtor under the United States Bankruptcy Code, or any other applicable federal or state laws, or filed a petition to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debts, dissolution or liquidation law or statute or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or (iv) be adjudicated a bankrupt or insolvent; or (b) if without the acquiescence or consent of Sublessee, an order, judgment or decree shall have been entered by any court of competent jurisdiction approving as properly filed a petition seeking relief under the United States Bankruptcy Code, or any other applicable federal or state laws, or any bankruptcy, reorganization, insolvency, readjustment of debts, dissolution or liquidation law or statute with respect to Sublessee, or all or a substantial part of their respective properties or assets, and such order, judgment or decree shall have continued unstayed and in effect for any period of not less than ninety (90) days. Neither Sublessee, nor any person claiming through or under Sublessee or by reason of any statute or order of court shall, after such termination, be entitled to possession of the Demised Premises but shall forthwith quit and surrender the Demised Premises. Without limiting any of the foregoing provisions of this Section 10.2, if pursuant to the United States Bankruptcy Code, or any other applicable federal or state laws, Sublessee is permitted to assign this Sublease, Sublessee agrees that adequate assurance of future performance by an assignee expressly permitted under such law shall be deemed to mean evidence in the form of financial statements prepared and certified by a certified public accountant that the assignee will have a net worth, after excluding the value of the leasehold, sufficient to meet the remaining obligations under this Sublease.

10.03. In the event of any breach by Sublessee or any persons claiming through or under Sublessee of any of the terms, covenants or conditions contained in this Sublease, Sublessor, after the giving of any notice required by the terms of this Sublease and the expiration of any notice and cure periods hereunder, (a) shall be entitled to enjoin such breach and (b) shall have the right to invoke any right and remedy available at law or in equity or by statute or otherwise. The provisions of this Section 10.3 shall survive the expiration or sooner termination of this Sublease.

10.04. If this Sublease and the Term shall terminate as provided in Section 10.1 or in Section 10.2 above, or by or under any summary proceeding or any other action or proceeding or if Sublessor shall re-enter the Demised Premises as hereinabove provided or by or under any summary proceeding or any other action or proceeding, then in any of said events:

(a) Sublessee shall pay to Sublessor all Base Rent, Additional Rent and other amount payable by Sublessee hereunder to the date upon which this Sublease and the Term shall have terminated or to the date of re-entry upon the Demised Premises by Sublessor, as the case may be;

(b) Sublessor shall be entitled to retain all monies, if any, paid by Sublessee to Sublessor, whether as advance Rent, security or

otherwise, but such monies shall be credited by Sublessor against any Rent due at the time of such termination or re-entry or, at Sublessor's option, against any damages payable by Sublessee;

(c) Sublessee shall be liable for and shall pay to Sublessor, as damages, any deficiency between the Base Rent and Additional Rent payable hereunder for the period which otherwise would have constituted the unexpired portion of the Term (conclusively presuming the Base Rent and Additional Rent to be at the same rate as was payable for the year immediately preceding such termination or re-entry less any Additional Rent for such one-year period payable to Sublessor by Sublessee pursuant to Section 6.2 above) and the net amount, if any, of rents ("Net Rent") collected under any reletting effected pursuant to the incorporation herein of any provision of the Master Lease for any part of such period (after first deducting from the rents collected under any such reletting all of Sublessor's reasonable expenses in connection with the termination of this Sublease or Sublessor's re-entry upon the Demised Premises and in connection with such reletting including all reasonable repossession costs, brokerage commissions, legal expenses, attorneys' fees, alteration or similar costs and other expenses of preparing the Demised Premises for such reletting);

(d) In the event that Sublessor shall not have collected any monthly deficiencies as aforesaid, Sublessor shall be entitled to recover from Sublessee, and Sublessee shall pay to Sublessor, on demand, as and for liquidated and agreed final damages, a sum equal to the amount by which the Base Rent and Additional Rent payable hereunder for the period which otherwise would have constituted the unexpired portion of the Term (conclusively presuming the Base Rent and Additional Rent to be at the same rate as was payable for the year immediately preceding such termination or re-entry less any Additional Rent for such one-year period payable to Sublessor by Sublessee pursuant to Section 6.2 above) exceeds the then fair and reasonable rental value of the Demised Premises for the same period, both discounted to present value at the rate of eight percent (8%) per annum. If before presentation of proof of such liquidated damages to any court, commission or tribunal, the Demised Premises, or any part thereof, shall have been relet by Sublessor for the period which otherwise would have constituted the unexpired portion of the Term, or any part thereof, the amount of rent upon such reletting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Demised Premises so relet during the term of the reletting; and

(e) In no event shall Sublessee be entitled to receive any excess of Net Rent over the sums payable by Sublessee to Sublessor hereunder, and in no event shall Sublessee be entitled in any suit for the collection of damages pursuant to this Article to a credit in respect of any Net Rent from a reletting except to the extent actually received by Sublessor prior to the commencement of such suit.

10.05. Nothing herein contained shall be construed as limiting or precluding the recovery by Sublessor against Sublessee of any sums or damages to which, in addition to the damages particularly provided above, Sublessor may lawfully be entitled by reason of any default hereunder or under the terms of the Master Lease incorporated herein on the part of Sublessee; provided, however, that notwithstanding any provision of the Master Lease or the Sublease to the contrary, in no event shall Sublessor or Sublessee be entitled to special or consequential damages with respect to any matter arising hereunder or relating hereto.

11. Indemnification.

11.01. Sublessee shall indemnify and hold harmless Sublessor and its employees and agents from and against any and all loss, cost, liability, claim, damage and expense, including, without limiting the generality of the foregoing, reasonable attorneys' fees and expenses and court costs, penalties and fines incurred in connection with or arising from any injury to Sublessee or for any damage to, or loss (by theft or otherwise) of, any of the property of Sublessee, irrespective of the cause of such injury, damage or loss and whether occurring in or about the Demised Premises or the Property.

11.02. Sublessee shall indemnify and hold harmless Sublessor and its officers, directors, shareholders and employees from and against any and all loss, cost, liability, claims, damage and expenses, including, without limiting the generality of the foregoing, reasonable attorneys' fees and expenses and court costs, penalties and fines, whether or not due to third party claims, suits or proceedings, incurred in connection with or arising from (a) any default by Sublessee in the observance or performance of, or compliance with, any of the terms, covenants or conditions of this Sublease or the terms of the Master Lease incorporated herein on Sublessee's part to be observed, performed or complied with, (b) the use or occupancy or manner of use or occupancy of the Demised Premises by Sublessee or any of its agents, employees or contractors, or the exercise by Sublessee or any of its agents, employees or contractors, of any rights granted to Sublessee hereunder, (c) any acts, omissions or negligence of Sublessee or any of its agents, employees or contractors, in or about the Demised Premises or the Property either prior to, during, or after the termination of this Sublease or (d) the condition of the Demised Premises, but only to the extent that Sublessee fails to perform any of its obligations hereunder with respect to the condition of the Demised Premises. If any action or proceeding shall be brought against Sublessor by reason of any such claim, Sublessee shall be given prompt notice thereof and, upon notice from Sublessor, shall resist and defend such action or proceeding at Sublessee's sole expense and employ counsel therefor reasonably satisfactory to Sublessor. Sublessee shall pay to Sublessor on demand all sums which may be owing to Sublessor by reason of the provisions of this subsection. Sublessee's obligations under this subsection shall survive the Expiration Date or earlier termination of this Sublease.

11.03. Sublessor shall indemnify and hold harmless Sublessee and Sublessee's officers, directors, shareholders and employees from and against any and all loss, cost, liability, claims, damage and expenses, including, without limiting the generality of the foregoing, reasonable attorneys' fees and expenses and court costs, penalty and fines, whether or not due to third party claims, suits or proceedings, incurred in connection with or arising from (a) any default by Sublessor in the observance or performance of, or compliance with, any of the terms, covenants or conditions of this Sublease or the Master Lease on Sublessor's part to be observed, performed or complied with, or (b) the gross negligence or wilful misconduct of Sublessor (in its capacity as sublessor hereunder) or any of its agents, employees or contractors (retained by Sublessor in its capacity as sublessor hereunder), in or about the Demised Premises or the Property either prior to, during, or after the termination of this Sublease. If any action or proceeding shall be brought against Sublessee by reason of any such claim, Sublessor shall be given prompt notice thereof and, upon notice from Sublessee, shall resist and defend such action or proceeding at Sublessor's

sole expense and employ counsel therefor reasonably satisfactory to Sublessee. Sublessor shall pay to Sublessee on demand all sums which may be owed to Sublessee by reason of the provisions of this subsection. Sublessor's obligations under this subsection shall survive the Expiration Date or earlier termination of this Sublease.

11.04. Sublessor shall not be liable for any loss or damage to property of Sublessee or any of its employees, guests, invitees or licensees by reason of theft or otherwise. Sublessor shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain or leaks from any part of the Demised Premises or from the pipes, appliances or plumbing works or from the roof, street or subsurface or from any other place or by dampness or by any other cause of whatsoever nature, unless such injury or damage has been shown to have been due solely to the gross negligence or willful act or omission of Sublessor, its affiliates, or the officers, directors, employees or agents of Sublessor or its affiliates in the course of their employment. Subject to the foregoing, all property of Sublessee or others kept or stored on the Demised Premises shall be so kept or stored at the risk of Sublessee only.

11.05. Notwithstanding anything in this Section 11 to the contrary, neither party shall be required to indemnify the other party (an "indemnitee") against the indemnitee's own negligence or wilful misconduct.

12. Hazardous Materials.

12.01. Sublessee shall not cause or permit any Hazardous Material (as hereinafter defined) to be brought upon, kept or used in or about the Demised Premises by the agents, principals, employees, assigns, sublessees, contractors, subcontractors, consultants or invitees of Sublessee, except in full compliance with applicable Legal Requirements. If Sublessee breaches the obligations stated in the preceding sentence, or if the introduction or release of a Hazardous Material on the Demised Premises caused or permitted by Sublessee (or the aforesaid others) results in contamination of the Demised Premises or any surrounding area(s), or if contamination of the Demised Premises or any surrounding area(s) by Hazardous Material otherwise occurs for which Sublessee is legally, actually or factually liable or responsible (other than liability which arises solely as a result of the subtenancy created hereby or solely as a result of Sublessee's mere occupancy of the Demised Premises), then Sublessee shall fully and completely indemnify, defend and hold harmless Sublessor (or any party claiming by, through or under Sublessor) from any and all claims, judgments, damages, penalties, fines, costs, liabilities, expenses or losses, including, without limitation: (i) diminution in the value of the Demised Premises; (ii) any asserted damage to the Property or to neighboring properties or the occupants of the Property or neighboring properties, and (iii) any sums paid in settlement of claims, reasonable attorneys' fees, consultants fees and expert fees which arise or arose before, during or after the term of this Sublease as a consequence of such contamination. This indemnification includes, without limitation, costs incurred in connection with any investigation or site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Materials present in the soil or ground water on or under the Demised Premises for which Sublessee is responsible pursuant to the terms of this Sublease. Without limiting the foregoing, if the introduction or release of any Hazardous Materials on,

under or about the Demised Premises or any other surrounding area(s) caused or permitted by Sublessee (or the aforesaid others) results in any contamination of the Demised Premises, Sublessee shall immediately take all actions at its sole expense as are necessary or appropriate to return the Demised Premises to the condition existing prior to the introduction by Sublessee of any such Hazardous Materials thereto; provided that the prior written approval (which approval shall not be unreasonably withheld, conditioned or delayed) of such actions by Sublessor shall be first obtained. The foregoing obligations and responsibilities shall survive the expiration or earlier termination of this Sublease.

12.02. As used herein, the term "Hazardous Materials" means any hazardous or toxic substance, material or waste, including, but not limited to, those substances, materials, and wastes listed in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reorganization Act of 1986 (42 U.S.C. Section 9601 et seq., as amended), the Federal Clean Water Act, the Federal Clean Air Act, the Federal Resource Conservation and Recovery Act, the Federal Toxic Substances Control Act, the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 301) and amendments thereto, and all substances, materials and wastes that are defined as "toxic", "hazardous" or "extremely hazardous" or are otherwise regulated under any applicable local, state or federal law. In furtherance of, and not in limitation of, the foregoing, the term "Hazardous Materials" shall include asbestos, asbestos-containing materials and petroleum.

12.03. Sublessor and Sublessee acknowledge and agree that the Asset Purchase Agreement shall govern all matters relating to the presence of Hazardous Materials in, on, under and about the Demised Premises prior to the execution and delivery hereof.

13. Remedies Cumulative.

13.01. Each right and remedy of Sublessor under this Sublease shall be cumulative and be in addition to every other right and remedy of Sublessor under this Sublease and now or hereafter existing at law or in equity, by statute or otherwise.

14. Quiet Enjoyment.

14.01. Sublessor covenants that, as long as Sublessee shall pay the Base Rent and Additional Rent and all other amounts Sublessee shall be required to pay hereunder and shall duly observe, perform and comply with all of the terms, covenants and conditions of this Sublease on its part to be observed, performed or complied with, Sublessee shall, subject to all of the terms of the Master Lease and this Sublease, peaceably have, hold and enjoy the Demised Premises during the Term without molestation or hindrance by Sublessor.

15. Release of Sublessor.

15.01. The term "Sublessor", as used in this Sublease so far as covenants or obligations on the part of Sublessor are concerned, shall be limited to mean and include only the owner or owners at the time in question of the tenant's interest under the Master Lease, and in the event of any transfer or transfers of the tenant's interest in the Master Lease,

Sublessor herein named (and in case of any subsequent transfer or conveyance, the then transferor of the tenant's interest in the Master Lease) shall be automatically freed and relieved from and after the date of such transfer of all liability with respect to the performance of any covenants or obligations on the part of Sublessor contained in this Sublease thereafter to be performed; provided, however, that no Sublessor shall be freed or relieved from any of its obligations or liabilities hereunder which first arise or accrue prior to the transfer of such Sublessor's interest as tenant under the Master Lease.

16. Surrender of Demised Premises.

16.01. Sublessee shall, no later than the termination of this Sublease and in accordance with all of the terms of this Sublease and the Master Lease (including, without limitation, any restoration obligations in the Master Lease that are applicable to the Demised Premises and are incorporated by reference herein), vacate and surrender to Sublessor the Demised Premises, together with all Alterations, in similar order, condition and repair, as the same were in as of the Commencement Date, and broom clean, reasonable wear and tear, damages resulting from a casualty for which Sublessee is not responsible, and other items the repair or remediation of which is the responsibility of Sublessor or Landlord excepted. Tenant's obligation to observe or perform this covenant shall survive the termination of this Sublease.

16.02. Notwithstanding any provision of law or any judicial decision to the contrary, no notice shall be required to terminate the Term on the Expiration Date, and the Term shall expire on the Expiration Date without notice being required from either party. In the event that Sublessee remains beyond the Expiration Date, it is the intention of the parties and it is hereby agreed that a tenancy at sufferance shall arise at a monthly rent equal to 150% of the monthly Base Rent in effect at the expiration of the Term plus any amounts charged against Sublessor as lessee under the Master Lease for holdover rent or penalty. It is further agreed that Sublessee shall indemnify and hold harmless Sublessor from and against any and all liability, claims, demands, expenses, damages and judgments (other than consequential or special damages) incurred by Sublessor as a result of Sublessee's retaining possession, which indemnification obligation shall survive the Expiration Date.

17. Notices.

17.01. All notices, consents, approvals or other communications (collectively, a "Notice") required to be given under this Sublease or pursuant to law shall be in writing and, unless otherwise required by law, shall be delivered personally or by overnight courier service or given by registered or certified mail, return receipt requested, postage prepaid, to the parties at the following addresses (unless such address shall be changed by Notice from one party to the other):

To Sublessor:

Unisys Corporation
P.O. Box 500
Blue Bell, PA 19424
Attention: Real Estate Administration

To Sublessee:

Loral Corporation
600 Third Avenue
New York, NY 10016
Attention: Vice President/General Counsel

Any Notice given pursuant hereto shall be deemed to have been given and shall be effective when received, or when delivered and refused.

18. Landlord Consents During Term.

18.01. Wherever in this Sublease the consent or approval of Sublessor is required for any act or thing, Sublessor agrees that it shall not unreasonably withhold, condition or delay such consent or approval. If the consent or approval of Landlord is required under the Master Lease for the same act or thing, if Sublessor is required or willing to give its consent or approval to Sublessee when such consent or approval is required hereunder, Sublessor agrees that it will promptly forward Sublessee's request for such a consent or approval to Landlord. If Sublessor is required or has determined to give its consent or approval, Sublessor shall cooperate reasonably with Sublessee in endeavoring to obtain Landlord's consent or approval (including commencing and prosecuting an appropriate legal action if, in Sublessor's judgment, Landlord wrongfully withholds or delays its approval or consent) upon and subject to the following terms and conditions: (a) Sublessee shall reimburse Sublessor for any reasonable out-of-pocket costs incurred by Sublessor in connection with seeking such consent or approval, (b) Sublessor shall not be required to make any payments to Landlord or to enter into any agreements or to modify the Master Lease or this Sublease in order to obtain any such consent or approval and (unless Sublessee reimburses Sublessor for such payment or performs any other obligations imposed on Sublessor by Landlord) and (c) if Sublessee agrees or is otherwise obligated to make any payments to Sublessor or Landlord in connection with such request for such consent or approval, Sublessee shall have made arrangements for such payments which are satisfactory to Sublessor. Except as hereinafter expressly provided, nothing contained in this Section shall be deemed to require Sublessor to give any consent or approval because Landlord has given such consent or approval. Whenever either party to this Sublease expressly agrees not to unreasonably withhold its consent, such consent shall also not be unreasonably delayed or conditioned.

18.02. Notwithstanding the foregoing provisions of this Section or any other provision of this Sublease to the contrary, if and to the extent that it is provided in the consent to this Sublease from Landlord or in any other agreement entered into by and among Landlord, Sublessor and Sublessee in connection with the approval by Landlord of this Sublease that Landlord and Sublessee may deal directly in connection with the provision of various services to be provided to the Demised Premises or for Sublessee to deal directly with Landlord in connection with obtaining certain consents and approvals then if and to the extent so provided in such consent and/or agreement the granting of a consent or approval by Landlord shall be deemed to be the granting of a like consent or approval by Sublessor.

19. Sublessor's Inability to Perform.

19.01. This Sublease and the obligation of Sublessee to pay Rent hereunder and perform all of the other covenants and agreements

hereunder on the part of Sublessee to be performed shall in no way be affected, impaired or excused because Sublessor is unable to fulfill any of its obligations under this Sublease expressly or impliedly to be performed by Sublessor or because Sublessor is unable to make, or is delayed in making, any repairs, additions, alterations, improvements or decorations or is unable to supply or is delayed in supplying any equipment or fixtures, if Sublessor is prevented or delayed from so doing by reason of strikes or labor trouble or by accident, adjustment of insurance or by any cause whatsoever reasonably beyond Sublessor's control, including but not limited to, laws, governmental preemption in connection with a national emergency or by reason of any rule, order or regulation or any federal, state, county or municipal authority or any department or subdivision thereof or any government agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency.

20. Time Limits.

20.01. Except with respect to actions to be taken by Sublessee for which time limits are specifically set forth in this Sublease, which time limits shall control for the purposes of this Sublease, the time limits provided in the Master Lease for the giving or making of any Notice (as hereinafter defined) by the tenant thereunder to Landlord, the holder of any leasehold mortgage or any other party, or for the performance of any act, condition or covenant by the tenant thereunder, or for the exercise of any right, remedy or option by the tenant thereunder, are changed for the purposes of this Sublease, by shortening the same in each instance by five (5) days, provided that in no event shall such time limit be reduced to less that two (2) business days) so that any Notice may be given or made, or any act, condition or covenant performed, or option hereunder exercised, by Sublessor within the time limit relating thereto contained in the Master Lease.

20.02. Except with respect to actions to be taken by Sublessor for which longer time limits are specifically set forth in this Sublease, which time limits shall control for the purposes of this Sublease, the time limits provided in the Master Lease for the giving or making of any Notice by Landlord or the performance of any act, covenant or condition by Landlord for the exercise of any right, remedy or option by Landlord thereunder are changed for the purposes of this Sublease, by lengthening the same in each instance by five (5) days, so that any Notice may be given or made, or any act, condition or covenant performed or option hereunder exercised by Landlord within the number of days respectively set forth above, after the time limits relating thereto contained in the Master Lease.

21. Limitations on Liability.

21.01. Nothing in this Section is intended to limit or affect any obligations of Sublessor or any affiliate of Sublessor which are contained in any separate agreement.

22. Miscellaneous.

22.01. This Sublease shall be governed by and construed in accordance with the internal laws of the State in which the Demised Premises are located, without regard to the conflicts of law principles thereof.

22.02. The section headings in this Sublease and the table of contents are inserted only as a matter of convenience for reference and are not to be given any effect in construing this Sublease.

22.03. If any of the provisions of this Sublease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Sublease, or the application of such provision or provisions to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and every provision of this Sublease shall be valid and enforceable to the fullest extent permitted by law.

22.04. All of the terms and provisions of this Sublease shall be binding upon and inure to the benefit of the parties hereto and, subject to the provisions of Article 9 hereof, their respective successors and assigns.

22.05. Sublessor has made no representations, warranties or covenants to or with Sublessee with respect to the subject matter of this Sublease except as expressly provided herein or in the Transaction Documents and all prior negotiations and agreements relating thereto are merged into this Sublease. This Sublease may not be amended or terminated, in whole or in part, nor may any of the provisions be waived, except by a written instrument executed by the party against whom enforcement of such amendment, termination or waiver is sought and unless the same is permitted under the terms and provisions of the Master Lease.

23. Rider. A Rider to this Sublease is attached hereto and incorporated herein by reference.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Sublessor and Sublessee have executed this Sublease as of the day and year first above written.

UNISYS CORPORATION, as Sublessor

By: Harold S. Barron
Name: Harold S. Barron
Title: Senior Vice President

LORAL CORPORATION, as Sublessee

By: Eric J. Zahler
Name: Eric J. Zahler
Title: Vice President

RIDER

1. This Rider is a part of this Sublease. In the event of any contradiction or inconsistency between the provisions of this Rider and the provisions of the other portions of this Sublease, the provisions of this Rider shall govern and prevail, and the contradicting and inconsistent provisions of the other portions of this Sublease shall be deemed amended accordingly.

2. (a) The parties agree to endeavor in good faith to cause the Landlord to execute, in substitution for the Master Lease, (i) a lease directly with Unisys Corporation for Building B at the Property (the "Unisys Lease") and (ii) a lease directly with Loral Corporation for Buildings E and F at the Property (the "Loral Lease"), which leases shall be on terms and conditions satisfactory to Sublessor and Sublessee, each in the exercise of its reasonable discretion, provided, however, that Sublessor shall in no event be required to execute any lease in substitution for the Master Lease unless Landlord agrees to release Sublessor from all continued liability with respect to Buildings E and F at the Property from and after the date of any such substitute lease. Sublessor and Sublessee shall each pay one half of all mutually agreed upon costs directly related to the substitution of the Loral Lease and the Unisys Lease for the Master Lease.

(b) If the Landlord requires the Unisys Lease and the Loral Lease to contain an obligation to purchase the Property in substitution for the Purchase Obligation (as defined below) (a "Substitute Purchase Obligation"), then (i) the Unisys Lease shall contain such Substitute Purchase Obligation with respect to the introduction or release of a Hazardous Material on the portion of the Property demised under the Unisys Lease, (ii) the Loral Lease shall contain such Substitute Purchase Obligation with respect to the introduction or release of a Hazardous Material on the portion of the Property demised under the Loral Lease, and (iii) the Unisys Lease and the Loral Lease shall provide that Sublessor and Sublessee shall share such Substitute Purchase Obligation in proportion to their relative fault and shall acquire the Property pursuant to such Substitute Purchase Obligation as tenants in common. Sublessor shall be obligated to perform Sublessee's obligation under the Substitute Purchase Obligation, as provided in this Section 2(b), in proportion to Sublessor's fault in causing such obligation to arise. Sublessee shall be obligated to perform Sublessor's obligation under the Substitute Purchase Obligation, as provided in this Section 2(b), in proportion to Sublessee's fault in causing such obligation to arise.

(c) Sublessor and Sublessee shall use reasonable and good faith efforts to reach a mutual agreement as to whether any Alterations are necessary and appropriate in order to separate the premises demised under the Unisys Lease from the premises demised under the Loral Lease. In the event that the parties reach such a mutual agreement, then Sublessor shall perform such agreed upon Alterations, and Sublessee shall, within thirty (30) days after written demand by Sublessor, reimburse Sublessor for one-half of the costs and expenses relating to such Alterations. Sublessor may request payment of Sublessee's share of such costs, and (if requested) Sublessee shall pay its share of such costs, as such costs are incurred by Sublessor

during the course of design and construction of such Alterations. Sublessor shall require that (i) any contractors or subcontractors performing any such work maintain reasonable and appropriate liability insurance and (ii) any such insurance policies shall name Sublessor, Sublessee and Landlord as additional insureds.

(d) In the event that the Unisys Lease and the Loral Lease are executed in substitution of the Master Lease, then this Sublease shall terminate upon such execution.

3. The respective obligations of Sublessor and Sublessee in respect of the obligation to purchase the Property pursuant to Section 13.2(d) of the Master Lease (the "Purchase Obligation") shall be governed by the terms of the Asset Purchase Agreement. In the event that Sublessor purchases the Property pursuant to the Purchase Obligation, Sublessor and Sublessee shall enter into a lease with respect to the Demised Premises on substantially the same terms and conditions as set forth in this sublease.

4. Except as provided in the Asset Purchase Agreement, Sublessee shall have no liability under this Sublease for Hazardous Materials existing on the Demised Premises as of the date hereof.

5. Sublessee (together with its employees, licensees, and invitees) shall have the exclusive right to use the 978 parking spaces at the Property designated on Schedule B to this Sublease.

6. Sublessee hereby agrees to perform repairs and maintenance on, and to provide such other services as may be required to the Demised Premises, other than the services enumerated on Schedule E attached hereto, during the Term hereof, which services were previously provided by Sublessor's non-Defense Systems personnel. In connection therewith, Sublessor and Sublessee shall share supplies and equipment located at the Property for performance of their respective service obligations with respect to the Property until the exhaustion of such supplies and equipment. Thereafter, Sublessor and Sublessee shall separately purchase and use such supplies and equipment as each may determine it requires for performance of its respective service obligations.

7. With respect to contracts entered into by Sublessor prior to the date of this Sublease relating in whole or in part to the provision of services to the Demised Premises, which services Sublessee has assumed the obligation to provide as of the date of this Sublease and which services were previously provided by Sublessor's non-Defense Systems personnel, (a) Sublessor shall endeavor to terminate such contracts at the earliest possible time, provided Sublessor shall not be obligated to breach such contracts and (b) Sublessee shall be obligated to pay all sums due under such contracts for the provision of goods and services to the Demised Premises.

8. From the date hereof until the earlier of (a) the Expiration Date or (b) the service of written notice by Sublessor of its election to terminate receipt of such services, Sublessee shall continue to provide security services to the portions of the Property not part of the Demised Premises, of the type generally and customarily provided by Sublessor's Defense Systems unit to the Property prior to the date hereof.

SCHEDULE A

MASTER LEASE

As used in this Sublease, (a) "Master Lease" shall mean the Special Net Lease dated December 31, 1986 between Harris Trust and Savings Bank as Trustee for Burroughs Employees' Retirement Fund as lessor and Unisys Corporation as lessee, as amended by the letter dated October 15, 1991 from Unisys Corporation to Harris Trust Savings Bank, Trustee and (b) the "Property" shall mean the real property located at 640 North 2200 West, Buildings B, E and F, Salt Lake City, Utah.

SCHEDULE B

DEMISED PREMISES

As used in this Sublease, the "Demised Premises" shall mean 261,945 rentable square feet at 640 North 2200 West, Salt Lake City, Utah in Buildings E and F together with the portion of the Property located to the north of the line marked "Dividing Line" on the plan attached hereto.

SCHEDULE C

SCHEDULED EXPIRATION DATE/BASE RENT

As used in this Sublease, "Scheduled Expiration Date" shall mean December 31, 2001.

As used in Sublease, "Base Rent" shall mean, with respect to any calendar month, all actual costs and expenses relating to the Property (including common areas and facilities) that are allocated by Sublessor to the Demised Premises for such month, provided that Sublessor's method of allocation shall be consistent with the method of allocation used by Unisys Corporation to allocate costs to the Unisys Defense Systems unit with respect to the occupancy of the Demised Premises by the Unisys Defense Systems unit during calendar year 1994 and notwithstanding the fact that some portion of such costs are disallowed as "contract pass-through items" under certain government contracts performed by Sublessee at the Demised Premises. The foregoing costs and expenses shall include cash items and non-cash items, such as depreciation. In the event that Base Rent for any calendar quarter (as calculated above) shall not be determinable by Sublessor until after the end of such calendar quarter, then Base Rent shall be payable during such calendar quarter based upon Sublessor's reasonable estimate of costs and expenses to be allocated to the Demised Premises. Sublessor shall, as soon as practicable after the end of such calendar quarter, provide Sublessee with a written statement of the Base Rent amount for such calendar quarter and, subject to Section 3.5 of the Sublease, the parties shall promptly thereafter make any necessary reconciliation payments.

SCHEDULE D

EXCLUDED MASTER LEASE TERMS

Sections 3 (with respect only to the options to extend the term of the Master Lease granted thereon), 5, 42-44, inclusive, and 45.1(a) of the Master Lease.

SCHEDULE E

SERVICES TO BE PROVIDED BY SUBLESSOR

Repair and maintenance of major utilities until the Expiration Date.

SCHEDULE E-1

SERVICES NOT TO BE PROVIDED BY SUBLESSOR

[Intentionally left blank.]

EXHIBIT B

DEFAULTS

NONE

LIMITED NONCOMPETITION AGREEMENT

This Limited Noncompetition Agreement between Lockheed Martin Corporation ("Lockheed Martin") and L-3 Communications Corporation ("L-3") is dated as of April 30, 1997 with reference to the following:

Recitals

WHEREAS, Lockheed Martin, Lehman Brothers Capital Partners III, L.P., Frank C. Lanza, Robert V. LaPenta and L-3 Communications Holdings, Inc. ("Holdings") have entered into a Transaction Agreement dated as of March 28, 1997 (as amended by Amendment No. 1 to Transaction Agreement dated as of April 11, 1997, and as it may be further amended from time to time, the "Transaction Agreement"); and

WHEREAS, the Transaction Agreement contemplates that the business and assets of certain business elements of Lockheed Martin, the Business Units, will be sold upon the terms and subject to the conditions of the Transaction Agreement to Holdings; and

WHEREAS, Section 12.01 of the Transact on Agreement provides that the obligations of Lockheed Martin, Holdings and the Purchasers to consummate the Closing are subject to the satisfaction (or waiver) of certain enumerated conditions one of which (contained with Section 12.01(e)) is that Lockheed Martin and Holdings shall have executed and delivered the noncompetition agreement contemplated by Section 9.09 of the Transaction Agreement; and

WHEREAS, Holdings will conduct the businesses sold to it under the Transaction Agreement through L-3, a wholly-owned subsidiary of Holdings.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements of the parties contained herein, Lockheed Martin and L-3 agree as follows:

1. Capitalized terms used but not defined in this Limited Noncompetition Agreement shall have the meanings ascribed to them in the Transaction Agreement.

2. Subject to the provisions of Paragraph 3, Paragraph 4, Paragraph 5 and Paragraph 6 hereof, the Lockheed Martin Companies shall not sell products anywhere in the world in competition with products of L-3 listed on "Attachment A" hereto, or being supplied as of the Closing Date by the Business in connection with its Performance of the specific programs listed on "Attachment A" hereto (collectively, the "competing businesses"), in each instance for the applications listed opposite the product or program listed on Attachment A and for a period of three years commencing as of the Closing Date.

3. The provisions of Paragraph 2 shall prohibit the acquisition by Lockheed Martin or any of its Affiliates of all or any part of a business or Person (whether through the acquisition of assets, securities or other ownership interest, the effecting of a merger, business combination, reorganization, exchange or recapitalization or other similar transaction)

(the "Acquired Business") with any Person where a primary purpose of the acquisition is the avoidance of the prohibitions of Paragraph 2. For purposes of the foregoing, in the case of any such acquisition by Lockheed Martin or any of its Affiliates where the competing business conducted by the Acquired Business represents greater than 35% of the revenues of the Acquired Business for its most recently completed fiscal year, a primary purpose of the transaction shall be deemed to be the avoidance of the prohibitions of Paragraph 2. Notwithstanding the provisions of the preceding sentence, the provisions of Paragraph 2 shall not prohibit the acquisition by Lockheed Martin or any of its Affiliates of an Acquired Business where the competing business conducted by the Acquired Business represents greater than 35% of the revenues of the Acquired Business (a "Disqualifying Acquisition," and the portion of the Acquired Business that is a competing business being the "Disqualified Business"), provided that Lockheed Martin or any of its Affiliates offers to sell and assign the Disqualified Business (and associated liabilities) obtained and assumed in the Disqualifying Acquisition for cash to L-3 within 90 days of the consummation of the Disqualifying Acquisition at the fair market value of such Disqualified Business (and associated liabilities) with the benefit of substantially similar representations, warranties and indemnification periods from the fair market value of such Disqualified Business (and associated liabilities), L-3 and such Lockheed Martin or their representatives shall meet within 15 days of the date such offer is made and attempt mutually to determine in good faith such fair market value. If L-3 and Lockheed Martin are unable to determine a mutually acceptable fair market value within 20 days after their initial meeting, L-3 and Lockheed Martin shall mutually engage (and share equally in the fees and expenses of) an investment banking firm to determine within 20 days of such firm's engagement the fair market value of the Disqualified Business (and associated liabilities), which determination shall be binding upon L-3 and Lockheed Martin for purposes of Lockheed Martin's offer to L-3 as contemplated herein. Lockheed Martin shall not be obligated to keep its offer to L-3 open for more than 20 days after final determination of the fair market value of the Disqualified Business and its assumption of the associated liabilities within 75 days of such acceptance, otherwise Lockheed Martin and its Affiliates shall be permitted to keep and operate, or divest, such Disqualified Business (and associated liabilities) in Lockheed Martin's sole discretion.

4. The prohibitions of Paragraph 2 shall not apply to:

(a) businesses operated and managed by Lockheed Martin or its Affiliates on behalf of the U.S. Government; or

(b) Acquired Businesses where the acquisition is permitted under Paragraph 3; provided that in the case of any such acquisition (i) the competing business was being conducted by the Acquired Business as of the closing of the acquisition of the Acquired Business or (ii) Lockheed Martin or the Acquired Business can affirmatively demonstrate that the Acquired Business was considering entering the competing business as of the closing of the acquisition of the Acquired Business, or (iii) the competing business is reasonably related to the businesses referenced in either or both of the preceding clauses (i) or (ii); or

(c) the acquisition by Lockheed Martin or any of its Affiliates of not greater than twenty percent of the voting securities of any Person engaged in a competing business; or

(d) the acquisition by Lockheed Martin or any of its Affiliates of any non-voting securities of any Person engaged in a competing business.

5. Notwithstanding the provisions of Paragraph 2, nothing in this Limited Noncompetition Agreement shall prevent Lockheed Martin or any of its Affiliates from:

(a) continuing to engage without impediment in any business, including but not limited to the unrestricted sale of products related to that business, conducted by Lockheed Martin or any of its Affiliates as of Closing (other than businesses conducted by Lockheed Martin solely through the Business Units), any such business being hereinafter referred to as an "Existing Business"; or

(b) entering into any business and thereafter engaging without impediment in such business, including but not limited to the unrestricted sale of products related to that business where Lockheed Martin can affirmatively demonstrate that, as of the Closing, Lockheed Martin or any of its Affiliates or any business element thereof (excluding the Business Units) was considering entering such business, any such business being hereinafter referred to as a "Planned Business"; or

(c) entering into any business and thereafter engaging without impediment in such business, including but not limited to the unrestricted sale of products related to that business, where such business is reasonably related to either or both an Existing Business or a Planned Business.

6. For the purposes of Paragraph 2, the sale by Lockheed Martin or its Affiliates (including, without limitation, any Acquired Business) of systems manufactured, assembled, fabricated or integrated by Lockheed Martin or its Affiliates (which systems may themselves be subsystems or components of larger systems) where the system manufactured, assembled, fabricated or integrated by Lockheed Martin or its Affiliates (A) includes as one or more subsystems, components, subcomponents or other parts of the system products sold by (i) L-3 or (ii) third-party sources other than L-3 or (B) where such system includes as one or more subsystems, components, subcomponents or other parts of the system products manufactured, assembled, fabricated or integrated by Lockheed Martin or its Affiliates shall be deemed not to be a sale in competition with products sold by L-3 and, therefore, is permitted under Paragraph 2; provided, however, that, if sale of the product manufactured, assembled, fabricated or integrated is not permitted by any of the exceptions to Paragraph 2 other than by clause (B) of this Paragraph 6, then prior to manufacturing the subsystem, component, subcomponent or other part of the system Lockheed Martin shall in its good faith business judgment (which may include, but is not limited to, consideration of the optimum combination of performance, schedule, quality, cost, customer preference, ability to provide a total solution and/or turnkey system and other factors considered relevant to the decision by the Lockheed Martin company making the make/buy decision) consider procuring the item from L-3 and provided further that items manufactured by Lockheed Martin or any of its Affiliates in reliance on the exception provided by clause (B) of this Paragraph 6 may only be sold during the term of this Limited Noncompetition Agreement as part of a system qualifying for the exception provided by clause (B) of this Paragraph 6.

7. Lockheed Martin acknowledges that in the event of its or its Subsidiaries' breach of the covenants contained in this Limited

Noncompetition Agreement, money damages would be an inadequate remedy. Accordingly, without prejudice to the rights of L-3 also to seek such damages or other remedies available to it, L-3 may seek, and Lockheed Martin shall not contest the appropriateness of injunctive or other equitable relief in any proceeding that L-3 may bring to enforce the covenants contained in this Limited Noncompetition Agreement. No waiver of any breach of the covenants contained in this Limited Noncompetition Agreement shall be implied from forbearance or failure of L-3 to take action in respect thereof.

8. Lockheed Martin and L-3 agree that, if any provision of this Limited Noncompetition Agreement should be adjudicated to be invalid or unenforceable, such provision shall be deemed deleted herefrom with respect, and only with respect, to the operation of such provision in the particular jurisdiction in which such adjudication was made. To the extent any such provisions may be valid and enforceable in such jurisdiction by limitations on the scope of the activities, geographical area or time period covered, L-3 and Lockheed Martin agree that such provision instead shall be deemed limited to the extent, and only to the extent, necessary to make such provision enforceable to the fullest extent permissible under the laws and public policies in such jurisdiction.

9. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given,

if to Lockheed Martin:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Attention: Marcus C. Bennett
Telecopy: (301) 897-6083

with a copy to:

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Attention: Frank H. Menaker, Jr.
Telecopy: (301) 897-6791

and

Miles & Stockbridge, a
Professional Corporation
10 Light Street
Baltimore, Maryland 21202
Attention: Glenn C. Campbell
Telecopy: (410) 385-3700

If to L-3:

L-3 Communications Corporation
600 Third Avenue
New York, New York 10016
Attention: General Counsel
Telecopy: (212) 805-5494

with copies to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017
Attention: David B. Chapnick
Telecopy: (212) 455-2502

and

Lehman Brothers Capital Partners III, L.P.
3 World Financial Center
New York, New York 10285
Attention: Steven Berkenfeld
Telecopy: (212) 526-2198

and

Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, Maryland 20817
Attention: Frank H. Menaker, Jr.
Telecopy: (301) 897-6791

or to such other address or telecopy number and with such other copies, as such party may hereafter specify for the purpose by notice to the other parties. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this Paragraph 9 and evidence of receipt is received or (ii) if given by any other means, upon delivery or refusal of delivery at the address specified in this Paragraph 9.

10. Any provision of this Limited Noncompetition Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Lockheed Martin and L-3, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege under this Limited Noncompetition Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

11. The provisions of this Limited Noncompetition Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; provided that no party may assign, delegate or otherwise transfer any of its right or obligations under this Agreement without the consent of Lockheed Martin, in the case of L-3, and L-3 in the case of Lockheed Martin. Notwithstanding the foregoing, the provisions of

this Limited Noncompetition Agreement shall not apply to any of the Lockheed Martin Companies to the extent that such companies no longer are Subsidiaries of Lockheed Martin.

12. As used in this Limited Noncompetition Agreement, any reference to the plural shall include the singular, and the singular shall include the plural. With regard to each and every term and condition of this Limited Noncompetition Agreement, the parties understand and agree that the same have or has been mutually negotiated, prepared and drafted, and that if at any time the parties desire or are required to interpret or construe any such term or condition or any agreement or instrument subject hereto, no consideration shall be given to the issue of which party actually prepared, drafted or requested any term or condition of this Limited Noncompetition Agreement.

13. This Limited Noncompetition Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof, supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter thereof, and satisfies all obligations, covenants and agreements of Lockheed Martin under Section 9.09 of the Transaction Agreement.

14. This Limited Noncompetition Agreement shall be construed in accordance with and governed by the law of the State of New York.

15. This Limited Noncompetition Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Limited Noncompetition Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Limited Noncompetition Agreement as of the date first set forth above.

LOCKHEED MARTIN CORPORATION

By: /s/ Stephen M. Piper
Stephen M. Piper
Assistant Secretary

L-3 COMMUNICATIONS CORPORATION

By: /s/ Michael T. Strianese
Michael T. Strianese
Vice President, Finance and Controller

EXHIBIT 12

L-3 Communications Corporation
Computation of Ratio of Earnings to Fixed Charges
(in thousands, except for ratio data)

	The Company	Predecessor Company			
	For the three months Ended June 30,	For the three months Ended March 31,	Years Ended December 31,		
	1997	1997	1996	1995	1994
Earnings:					
Income before income taxes	$ 5,151	($505)	$19,494	$ 174	$ 2,929
Add:					
Interest expense	10,079	8,441	24,197	4,475	5,450
Interest component of rent expense	815	851	2,832	1,591	1,866
Earnings	$16,045	$8,787	$46,523	$6,240	$10,245
Fixed Charges:					
Interest expense	$ 10,079	$8,441	$24,197	$4,475	$ 5,450
Interest component of rent expense	815	851	2,832	1,591	1,866
Fixed charges	$10,894	$9,292	$27,029	$6,066	$ 7,316
Ratio of earnings to fixed charges	1.47x	N/A	1.72x	1.03x	1.40x

EXHIBIT 23.2

Consent of Independent Accountants

We consent to the inclusion in this registration statement on Form S-4 of our report dated July 16, 1997 on our audit of the balance sheet of L-3 Communications Corporation (a Delaware company) as of April 29, 1997, our report dated July 11, 1997 on our audit of the combined financial statements of the Lockheed Martin Predecessor Businesses as of March 31, 1997 and for the three months then ended, our report dated March 20, 1997 on our audit of the combined financial statements of the Lockheed Martin Predecessor Businesses as of December 31, 1996 and for the year then ended, and our report also dated March 20, 1997 on our audits of the Loral Acquired Businesses for the three months ended March 31, 1996 and for the years ended December 31, 1995 and 1994. The report dated March 20, 1997 on the combined financial statements of the Lockheed Martin Predecessor Businesses as of and for the year ended December 31, 1996 states that Coopers & Lybrand L.L.P.'s opinion, insofar as it relates to the financial statements of the Lockheed Martin Communications Systems Division as of December 31, 1996 included in such combined financial statements, is based solely on the report of other auditors. We also consent to the reference to our Firm under the caption "Experts".

Coopers & Lybrand L.L.P.

New York, New York
September 8, 1997

Exhibit 23.3

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in Amendment No. 1 to the Registration Statement (Form S-4, No. 333-31649) and related Prospectus of L-3 Communications Corporation for the registration of $225,000,000 of its Series B Senior Subordinated Notes due 2007.

We also consent to the inclusion therein of our report dated March 7, 1997 with respect to the combined financial statements of Lockheed Martin Communications Systems Division at December 31, 1996 (not presented separately herein) and 1995, and the combined results of its operations and its cash flows for the year ended December 31, 1996 (not presented separately herein), and the results of its operations and its cash flows for each of the two years in the period ended December 31, 1995, included therein.

/s/ Ernst & Young LLP

Washington, D.C.
September 8, 1997

EXHIBIT 25

FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2) /__/

THE BANK OF NEW YORK
(Exact name of trustee as specified in its charter)

New York (State of incorporation if not a U.S. national bank)	13-5160382 (I.R.S. employer identification no.)
48 Wall Street, New York, N.Y. (Address of principal executive offices)	10286 (Zip code)

L-3 COMMUNICATIONS CORPORATION
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3937436 (I.R.S. employer identification no.)
600 Third Avenue New York, New York (Address of principal executive offices)	10016 (Zip code)

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10 3/8% Series B Senior Subordinated Notes due 2007
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Superintendent of Banks of the State of New York	2 Rector Street, New York, N.Y. 10006, and Albany, N.Y. N.Y. 12203
Federal Reserve Bank of New York	33 Liberty Plaza, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229.10(d).

1. A copy of the Organization Certificate of The Bank of New York (formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement

No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672 and Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637.)

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 33-31019.)

6. The consent of the Trustee required by Section 321(b) of the Act. (Exhibit 6 to Form T-1 filed with Registration Statement No. 33-44051.)

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 5th day of September, 1997.

THE BANK OF NEW YORK

By: /s/ THOMAS E. TABOR

Name: THOMAS E. TABOR
Title: ASSISTANT TREASURER

EXHIBIT 7

Consolidated Report of Condition of

THE BANK OF NEW YORK

of 48 Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries,
a member of the Federal Reserve System, at the close of business March 31, 1997, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

	Dollar Amounts in Thousands
ASSETS	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	$ 8,249,820
Interest-bearing balances	1,031,026
Securities:	
Held-to-maturity securities	1,118,463
Available-for-sale securities	3,005,838
Federal funds sold and Securities purchased under agreements to resell	3,100,281
Loans and lease financing receivables:	
Loans and leases, net of unearned income	32,895,077
LESS: Allowance for loan and lease losses	633,877
LESS: Allocated transfer risk reserve	429
Loans and leases, net of unearned income, allowance, and reserve	32,260,771
Assets held in trading accounts	1,715,214
Premises and fixed assets (including capitalized leases)	684,704
Other real estate owned	21,738
Investments in unconsolidated subsidiaries and associated companies	195,761
Customers' liability to this bank on acceptances outstanding	1,152,899
Intangible assets	683,503
Other assets	1,526,113
Total assets	$ 54,746,131
LIABILITIES	
Deposits:	
In domestic offices	$ 25,614,961
Noninterest-bearing	10,564,652
Interest-bearing	15,050,309
In foreign offices, Edge and Agreement subsidiaries, and IBFs	15,103,615
Noninterest-bearing	560,944
Interest-bearing	14,542,671

Federal funds purchased and Securities sold under agreements to repurchase.	2,093,286
Demand notes issued to the U.S. Treasury	239,354
Trading liabilities	1,399,064
Other borrowed money:	
With remaining maturity of one year or less	2,075,092
With remaining maturity of more than one year	20,679
Bank's liability on acceptances executed and outstanding	1,160,012
Subordinated notes and debentures	1,014,400
Other liabilities	1,840,245
Total liabilities	50,560,708
EQUITY CAPITAL	
Common stock	942,284
Surplus	731,319
Undivided profits and capital reserves	2,544,303
Net unrealized holding gains (losses) on available-for-sale securities	(19,449)
Cumulative foreign currency translation adjustments	(13,034)
Total equity capital	4,185,423
Total liabilities and equity capital	$ 54,746,131

I, Robert E. Keilman, Senior Vice President and Comptroller of the above-named bank do hereby declare that this Report of Condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

Robert E. Keilman

We, the undersigned directors, attest to the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

Alan R. Griffith
J. Carter Bacot
Thomas A. Renyi
} Directors

LETTER OF TRANSMITTAL
FOR
10 3/8% SENIOR SUBORDINATED NOTES
DUE 2007
OF
L-3 COMMUNICATIONS CORPORATION

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON _____, 1997 (THE "EXPIRATION DATE") UNLESS EXTENDED BY L-3 COMMUNICATIONS CORPORATION.

EXCHANGE AGENT:
THE BANK OF NEW YORK

BY HAND:
The Bank of New York
101 Barclay Street
New York, New York 10286
Attention: Reorganization Section

BY MAIL:
(INSURED OR REGISTERED RECOMMENDED)
The Bank of New York
101 Barclay Street
Corporate Trust Services Window
New York, New York 10286
Attention: Reorganization Section

BY OVERNIGHT EXPRESS:
The Bank of New York
101 Barclay Street
Corporate Trust Services Window
New York, New York 10286
Attention: Reorganization Section

BY FACSIMILE:
(212) 815-6339
(For Eligible Institutions Only)
BY TELEPHONE:
(212) 815-4444

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA A FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

The undersigned acknowledges receipt of the Prospectus dated _____, 1997 (the "Prospectus") of L-3 Communications Corporation (the "Company"), and this Letter of Transmittal (the "Letter of Transmittal"), which together describe the Company's offer (the "Exchange Offer") to exchange $1,000 in principal amount of its new 10 3/8% Series B Senior Subordinated Notes due 2007 (the "Exchange Notes") for each $1,000 in principal amount of outstanding 10 3/8% Senior Subordinated Notes due 2007 (the "Old Notes"). The terms of the Exchange Notes are identical in all material respects (including principal amount, interest rate and maturity) to the terms of the Old Notes for which they may be exchanged pursuant to the Exchange Offer, except that the Exchange Notes are freely transferable by holders thereof (except as provided herein or in the Prospectus) and are not subject to any covenant regarding registration under the Securities Act of 1933, as amended (the "Securities Act").

The undersigned has checked the appropriate boxes below and signed this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer.

PLEASE READ THE ENTIRE LETTER OF TRANSMITTAL AND THE PROSPECTUS CAREFULLY BEFORE CHECKING ANY BOX BELOW

YOUR BANK OR BROKER CAN ASSIST YOU IN COMPLETING THIS FORM. THE INSTRUCTIONS INCLUDED WITH THIS LETTER OF TRANSMITTAL MUST BE FOLLOWED. QUESTIONS AND REQUESTS FOR ASSISTANCE OR FOR ADDITIONAL COPIES OF THE PROSPECTUS AND THIS LETTER OF TRANSMITTAL MAY BE DIRECTED TO THE EXCHANGE AGENT.

List below the Old Notes to which this Letter of Transmittal relates. If the space provided below is inadequate, the Certificate Numbers and Principal Amounts should be listed on a separate signed schedule affixed hereto.

DESCRIPTION OF OLD NOTES TENDERED HEREWITH

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN)	CERTIFICATE NUMBER(S)	AGGREGATE PRINCIPAL AMOUNT REPRESENTED BY OLD NOTES	PRINCIPAL AMOUNT TENDERED

[FN]
Need not be completed by book-entry holders.
Unless otherwise indicated, the holder will be deemed to have tendered the full aggregate principal amount represented by such Old Notes. See instruction 2.

This Letter of Transmittal is to be used either if certificates representing Old Notes are to be forwarded herewith or if delivery of Old Notes is to be made by book-entry transfer to an account maintained by the Exchange Agent at The Depository Trust Company, pursuant to the procedures set forth in "The Exchange Offer--Procedures for Tendering Old Notes" in the Prospectus. Delivery of documents to the book-entry transfer facility does not constitute delivery to the Exchange Agent.

Holders whose Old Notes are not immediately available or who cannot deliver their Old Notes and all other documents required hereby to the Exchange Agent on or prior to the Expiration Date must tender their Old Notes according to the guaranteed delivery procedure set forth in the Prospectus under the caption "The Exchange Offer--Procedures for Tendering Old Notes."

/ / CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution

/ / The Depository Trust Company

Account Number
Transaction Code Number _____

/ / CHECK HERE IF TENDERED OLD NOTES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY AND COMPLETE THE FOLLOWING:

Name of Registered Holder(s)
Name of Eligible Institution that Guaranteed Delivery
Date of Execution of Notice of Guaranteed Delivery _____

If Delivered by Book-entry Transfer:
Account Number _____

/ / CHECK HERE IF EXCHANGE NOTES ARE TO BE DELIVERED TO PERSON OTHER THAN PERSON SIGNING THE LETTER OF TRANSMITTAL:
Name_____
(Please Print)

Address_____
(Including Zip Code)

/ / CHECK HERE IF EXCHANGE NOTES ARE TO BE DELIVERED TO ADDRESS DIFFERENT FROM THAT LISTED ELSEWHERE IN THIS LETTER OF TRANSMITTAL:
Address
_____
(Including Zip Code)

/ / CHECK HERE IF YOU ARE A BROKER-DEALER AND WISH TO RECEIVE 10 ADDITIONAL COPIES OF THIS PROSPECTUS AND 10 COPIES OF ANY AMENDMENTS OR SUPPLEMENTS THERETO:
Name_____
Address_____

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Old Notes that were acquired as result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Notes; however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. Any holder who is an "affiliate" of the Company or who has an arrangement or understanding with respect to the distribution of the Exchange Notes to be acquired pursuant to the Exchange Offer, or any broker-dealer who purchased Old Notes from the Company to resell pursuant to Rule 144A under the Securities Act or any other

available exemption under the Securities Act must comply with the registration and prospectus delivery requirements under the Securities Act.

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the above-described principal amount of the Old Notes indicated above. Subject to, and effective upon, the acceptance for exchange of the Old Notes tendered herewith, the undersigned hereby exchanges, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Old Notes. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that said Exchange Agent acts as the agent of the Company, in connection with the Exchange Offer) to cause the Old Notes to be assigned, transferred and exchanged. The undersigned represents and warrants that it has full power and authority to tender, exchange, assign and transfer the Old Notes and to acquire Exchange Notes issuable upon the exchange of such tendered Old Notes, and that, when the same are accepted for exchange, the Company will acquire good and unencumbered title to the tendered Old Notes, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The undersigned also warrants that it will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the exchange, assignment and transfer of tendered Old Notes or transfer ownership of such Old Notes on the account books maintained by the book-entry transfer facility. The undersigned further agrees that acceptance of any and all validly tendered Old Notes by the Company and the issuance of Exchange Notes in exchange therefor shall constitute performance in full by the Company of its obligations under the Registration Rights Agreement (as defined in the Prospectus) and that the Company shall have no further obligations or liabilities thereunder except as provided in the first paragraph of Section 2 of said agreement.

The Exchange Offer is subject to certain conditions as set forth in the Prospectus under the caption "The Exchange Offer--Certain Conditions to the Exchange Offer." The undersigned recognizes that as a result of these conditions (which may be waived, in whole or in part, by the Company), as more particularly set forth in the Prospectus, the Company may not be required to exchange any of the Old Notes tendered hereby and, in such event, the Old Notes not exchanged will be returned to the undersigned at the address shown above. In addition, the Company may amend the Exchange Offer at any time prior to the Expiration Date if any of the conditions set forth under "The Exchange Offer--Certain Conditions to the Exchange Offer" occur.

By tendering, each holder of Old Notes represents that the Exchange Notes acquired in the exchange will be obtained in the ordinary course of such holder's business, that such holder has no arrangement with any person to participate in the distribution of such Exchange Notes, that such holder is not an "affiliate" of the Company within the meaning of Rule 405 under the Securities Act and that such holder is not engaged in, and does not intend to engage in, a distribution of the Exchange Notes. Any holder of Old Notes using the Exchange Offer to participate in a distribution of the Exchange Notes (i) cannot rely on the position of the staff of the Securities and Exchange Commission (the "Commission") [enunciated in its interpretive letter with respect to Exxon Capital Holdings Corporation (available April 13, 1989) or similar letters] and (ii) must comply with the registration and prospectus requirements of the Securities Act in connection with a secondary resale transaction.

If the undersigned is not a broker-dealer, the undersigned represents that it is not engaged in, and does not intend to engage in, a distribution of Exchange Notes. If the undersigned is a broker-dealer that will receive Exchange Notes for its own account in exchange for Old Notes that were acquired as a result of market-making activities or other trading activities, it acknowledges that it will deliver a prospectus in connection with any resale of such Exchange Notes, however, by so acknowledging and by delivering a prospectus, the undersigned will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Tendered Old Notes may be withdrawn at any time prior to the Expiration Date in accordance with the terms of this Letter of Transmittal. See Instruction 2.

Certificates for all Exchange Notes delivered in exchange for tendered Old Notes and any Old Notes delivered herewith but not exchanged, and registered in the name of the undersigned, shall be delivered to the undersigned at the address shown below the signature of the undersigned.

TENDER HOLDER(S) SIGN HERE
(Complete accompanying substitute Form W-9)

Signature(s) of Holder(s)

Dated _____ Area Code and Telephone Number _____

(MUST BE SIGNED BY REGISTERED HOLDER(S) EXACTLY AS NAME(S) APPEAR(S) ON CERTIFICATE(S) FOR OLD NOTES. IF SIGNATURE IS BY A TRUSTEE, EXECUTOR, ADMINISTRATOR, GUARDIAN, ATTORNEY-IN-FACT, OFFICER OF A CORPORATION OR OTHER PERSON ACTING IN A FIDUCIARY OR REPRESENTATIVE CAPACITY, PLEASE SET FORTH THE FULL TITLE OF SUCH PERSON.) SEE INSTRUCTION 3.

Name(s)_____
_____
(Please Print)

Capacity (full title)_____

Address_____
(Including Zip Code)

Area Code and Telephone No._____

Taxpayer Identification No._____

GUARANTEE OF SIGNATURE(S)
(IF REQUIRED--SEE INSTRUCTION 3)

Authorized Signature_____

Name_____

Title_____

Address_____

Area Code and Telephone No._____

Dated_____

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. DELIVERY OF THIS LETTER OF TRANSMITTAL AND CERTIFICATES.

A holder of Old Notes may tender the same by (i) properly completing and signing this Letter of Transmittal or a facsimile hereof (all references in the Prospectus to the Letter of Transmittal shall be deemed to include a facsimile thereof) and delivering the same, together with the certificate or certificates representing the Old Notes being tendered and any required signature guarantees and any other document required by this Letter of Transmittal, to the Exchange Agent at its address set forth above on or prior to the Expiration Date (or complying with the procedure for book-entry transfer described below) or (ii) complying with the guaranteed delivery procedures described below.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, THE OLD NOTES AND ANY OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDER, AND EXCEPT AS OTHERWISE PROVIDED BELOW, THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED OR CONFIRMED BY THE EXCHANGE AGENT. IF SUCH DELIVERY IS BY MAIL, IT IS SUGGESTED THAT REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, BE USED. IN ALL CASES SUFFICIENT TIME SHOULD BE ALLOWED TO PERMIT TIMELY DELIVERY. NO OLD NOTES OR LETTERS OF TRANSMITTAL SHOULD BE SENT TO THE COMPANY.

If tendered Old Notes are registered in the name of the signer of the Letter of Transmittal and the Exchange Notes to be issued in exchange therefor are to be issued (and any untendered Old Notes are to be reissued) in the name of the registered holder (which term, for the purposes described herein, shall include any participant in The Depository Trust Company (also referred to as a "book-entry transfer facility") whose name appears on a security listing as the owner of Old Notes), the signature of such signer need not be guaranteed. In any other case, the tendered Old Notes must be endorsed or accompanied by written instruments of transfer in form satisfactory to the Company and duly executed by the registered holder, and the signature on the endorsement or instrument of transfer must be guaranteed by a bank, broker, dealer, credit union, savings association, clearing agency or other institution (each an "Eligible Institution") that is a member of a recognized signature guarantee medallion program within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended. If the Exchange Notes and/or Old Notes not exchanged are to be delivered to an address other than that of the registered holder appearing on the note register for the Old Notes, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution.

The Exchange Agent will make a request within two business days after the date of receipt of this Prospectus to establish accounts with respect to the Old Notes at the book-entry transfer facility for the purpose of facilitating the Exchange Offer, and subject to the establishment thereof, any financial institution that is a participant in the book-entry transfer facility's system may make book-entry delivery of Old Notes by causing such book-entry transfer facility to transfer such Old Notes into the Exchange Agent's account with respect to the Old Notes in accordance with the book-entry transfer facility's procedures for such transfer. Although delivery of Old Notes may be effected through book-entry transfer into the Exchange Agent's account at the book-entry transfer facility, an appropriate

Letter of Transmittal with any required signature guarantee and all other required documents must in each case be transmitted to and received or confirmed by the Exchange Agent on or prior to the Expiration Date, or, if the guaranteed delivery procedures described below are complied with, within the time period provided under such procedures.

If a holder desires to accept the Exchange Offer and time will not permit a Letter of Transmittal or Old Notes to reach the Exchange Agent before the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if the Exchange Agent has received on or prior to the Expiration Date, a letter, telegram or facsimile transmission (receipt confirmed by telephone and an original delivered by guaranteed overnight courier) from an Eligible Institution setting forth the name and address of the tendering holder, the names in which the Old Notes are registered and, if possible, the certificate numbers of the Old Notes to be tendered, and stating that the tender is being made thereby and guaranteeing that within three business days after the Expiration Date, the Old Notes in proper form for transfer (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at the book-entry transfer facility), will be delivered by such Eligible Institution together with a properly completed and duly executed Letter of Transmittal (and any other required documents). Unless Old Notes being tendered by the above-described method are deposited with the Exchange Agent within the time period set forth above (accompanied or preceded by a properly completed Letter of Transmittal and any other required documents), the Company may, at its option, reject the tender. Copies of the notice of guaranteed delivery ("Notice of Guaranteed Delivery") which may be used by Eligible Institutions for the purposes described in this paragraph are available from the Exchange Agent.

A tender will be deemed to have been received as of the date when (i) the tendering holder's properly completed and duly signed Letter of Transmittal accompanied by the Old Notes (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent is account at the book-entry transfer facility) is received by the Exchange Agent, or (ii) a Notice of Guaranteed Delivery or letter, telegram or facsimile transmission to similar effect (as provided above) from an Eligible Institution is received by the Exchange Agent. Issuances of Exchange Notes in exchange for Old Notes tendered pursuant to a Notice of Guaranteed Delivery or letter, telegram or facsimile transmission to similar effect (as provided above) by an Eligible Institution will be made only against deposit of the Letter of Transmittal (and any other required documents) and the tendered Old Notes.

If the Letter of Transmittal is signed by a person or persons other than the registered holder or holders of Old Notes, such Old Notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders appear on the Old Notes.

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders, by execution of this Letter of Transmittal (or facsimile thereof), shall waive any right to receive notice of the acceptance of the Old Notes for exchange.

2. PARTIAL TENDERS; WITHDRAWALS.

[If less than the entire principal amount of Old Notes evidenced by a submitted certificate is tendered, the tendering holder should fill in the principal amount tendered in the box entitled "Principal Amount Tendered." A newly issued certificate for the principal amount of Old Notes submitted but not tendered will be sent to such holder as soon as practicable after the Expiration Date. All Old Notes delivered to the Exchange Agent will be deemed to have been tendered unless otherwise clearly indicated.]

For a withdrawal to be effective, a written notice of withdrawal sent by telegram, facsimile transmission (receipt confirmed by telephone) or letter must be received by the Exchange Agent at the address set forth herein prior to the Expiration Date. Any such notice of withdrawal must (i) specify the name of the person having tendered the Old Notes to be withdrawn (the "Depositor"), (ii) identify the Old Notes to be withdrawn (including the certificate number or numbers and principal amount of such Old Notes), (iii) specify the principal amount of Old Notes to be withdrawn, (iv) include a statement that such holder is withdrawing his election to have such Old Notes exchanged, (v) be signed by the holder in the same manner as the original signature on the Letter of Transmittal by which such Old Notes were tendered or as otherwise described above (including any required signature guarantees) or be accompanied by documents of transfer sufficient to have the Trustee under the Indenture register the transfer of such Old Notes into the name of the person withdrawing the tender and (vi) specify the name in which any such Old Notes are to be registered, if different from that of the Depositor. The Exchange Agent will return the properly withdrawn Old Notes promptly following receipt of notice of withdrawal. If Old Notes have been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at the book-entry transfer facility to be credited with the withdrawn Old Notes or otherwise comply with the book-entry transfer facility procedure. All questions as to the validity of notices of withdrawals, including, time of receipt, will be determined by the Company and such determination will be final and binding on all parties.

Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the Exchange Offer. Any Old Notes which have been tendered for exchange but which are not exchanged for any reason will be returned to the holder thereof without cost to such holder (or, in the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at the book-entry transfer facility pursuant to the book-entry transfer procedures described above, such Old Notes will be credited to an account with such book-entry transfer facility specified by the holder) as soon as practicable after withdrawal, rejection of tender or termination of the Exchange Offer. Properly withdrawn Old Notes may be retendered by following one of the procedures described under the caption "Procedures for Tendering Old Notes" in the Prospectus at any time on or prior to the Expiration Date.

3. SIGNATURE ON THIS LETTER OF TRANSMITTAL; WRITTEN INSTRUMENTS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES.

If this Letter of Transmittal is signed by the registered holder(s) of the Old Notes tendered hereby, the signature must correspond with the name(s) as written on the face of the certificates without alteration, enlargement or any change whatsoever.

If any of the Old Notes tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If a number of Old Notes registered in different names are tendered, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of Old Notes.

When this Letter of Transmittal is signed by the registered holder or holders (which term, for the purposes described herein, shall include the book-entry transfer facility whose name appears on a security listing as the owner of the Old Notes) of Old Notes listed and tendered hereby, no endorsements of certificates or separate written instruments of transfer or exchange are required.

If this Letter of Transmittal is signed by a person or persons other than the registered holder or holders of Old Notes, such Old Notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders appear(s) on the Old Notes.

If this Letter of Transmittal or any Old Notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority so to act must be submitted.

Endorsements on certificates or signatures on separate written instruments of transfer or exchange required by this Instruction 3 must be guaranteed by an Eligible Institution.

Signatures on this Letter of Transmittal need not be guaranteed by an Eligible Institution, provided the Old Notes are tendered: (i) by a registered holder of such Old Notes, for the holder of such Old Notes; or (ii) for the account of an Eligible Institution.

4. TRANSFER TAXES.

The Company shall pay all transfer taxes, if any, applicable to the transfer and exchange of Old Notes pursuant to the Exchange Offer. If, however, certificates representing Exchange Notes or Old Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of the Old Notes tendered, or if tendered Old Notes are registered in the name of any person other than the person signing the Letter of Transmittal, or if a transfer tax is imposed for any reason other than the exchange of Old Notes pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered holder or any other persons) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exception therefrom is not submitted herewith the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 4, it will not be necessary for transfer tax stamps to be affixed to the Old Notes listed in this Letter of Transmittal.

5. WAIVER OF CONDITIONS.

The Company reserves the right to waive in its reasonable judgment, in whole or in part, any of the conditions to the Exchange Offer set forth in the Prospectus.

6. MUTILATED, LOST, STOLEN OR DESTROYED OLD NOTES.

Any holder whose Old Notes have been mutilated, lost, stolen or destroyed, should contact the Exchange Agent at the address indicated above for further instructions.

7. SUBSTITUTE FORM W-9.

Each holder of Old Notes whose Old Notes are accepted for exchange (or other payee) is required to provide a correct taxpayer identification number ("TIN"), generally the holder's Social Security or federal employer identification number, and with certain other information, on Substitute Form W-9, which is provided under "Important Tax Information" below, and to certify that the holder (or other payee) is not subject to backup withholding. Failure to provide the information on the Substitute Form W-9 may subject the holder (or other payee) to a $50 penalty imposed by the Internal Revenue Service and 31% federal income tax backup withholding on payments made in connection with the Exchange Notes. The box in Part 3 of the Substitute Form W-9 may be checked if the holder (or other payee) has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is checked and a TIN is not provided by the time any payment is made in connection with the Exchange Notes, 31% of all such payments will be withheld until a TIN is provided.

8. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES.

Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter of Transmittal, may be directed to the Exchange Agent at the address and telephone number set forth above. In addition, all questions relating to the Exchange Offer, as well as requests for assistance or additional copies of the Prospectus and this Letter of Transmittal, may be directed to L-3 Communications Corporation, 600 Third Avenue, New York, New York 10016, attention: Corporate Secretary (telephone: (212) 697-1111).

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A FACSIMILE HEREOF (TOGETHER WITH CERTIFICATES FOR OLD NOTES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS) OR A NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION DATE.

IMPORTANT TAX INFORMATION

Under U.S. Federal income tax law, a holder of Old Notes whose Old Notes are accepted for exchange may be subject to backup withholding unless the holder provides The Bank of New York (as payor) (the "Paying Agent"), through the Exchange Agent, with either (i) such holder's correct taxpayer identification number ("TIN") on Substitute Form W-9 attached hereto, certifying that the TIN provided on Substitute Form W-9 is correct (or that such holder of Old Notes is awaiting a TIN) and that (A) the holder of Old Notes has not been notified by the Internal Revenue Service that he or she is subject to backup withholding as a result of a failure to report all interest

or dividends or (B) the Internal Revenue Service has notified the holder of Old Notes that he or she is no longer subject to backup withholding; or (ii) an adequate basis for exemption from backup withholding. If such holder of Old Notes is an individual, the TIN is such holder's social security number. If the Paying Agent is not provided with the correct taxpayer identification number, the holder of Old Notes may be subject to certain penalties imposed by the Internal Revenue Service.

Certain holders of Old Notes (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. Exempt holders of Old Notes should indicate their exempt status on Substitute Form W-9. In order for a foreign individual to qualify as an exempt recipient, the holder must submit a-Form W-8, signed under penalties of perjury, attesting to that individual's exempt status. A Form W-8 can be obtained from the Paying Agent. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions.

If backup withholding applies, the Paying Agent is required to withhold 31% of any such payments made to the holder of Old Notes or other payee. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

The box in Part 3 of the Substitute Form W-9 may be checked if the surrendering holder of Old Notes has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is checked, the holder of Old Notes or other payee must also complete the Certificate of Awaiting Taxpayer Identification Number below in order to avoid backup withholding. Notwithstanding that the box in Part 3 is checked and the Certificate of Awaiting Taxpayer Identification Number is completed, the Paying Agent will withhold 31% of all payments made prior to the time a properly certified TIN is provided to the Paying Agent.

The holder of Old Notes is required to give the Paying Agent the TIN (e.g., social security number or employer identification number) of the record owner of the Old Notes. If the Old Notes are in more than one name or are not in the name of the actual owner, consult the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for additional guidance on which number to report.

PAYOR'S NAME: THE BANK OF NEW YORK, AS PAYING AGENT

SUBSTITUTE	PART I -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security number(s) Employer Identification Number(s)
	PART 2--CERTIFICATION-Under penalties of perjury, I certify that:	
	(1) The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued for me), and	
FORM W-9 DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE	(2) I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.	
PAYOR'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER ("TIN")	CERTIFICATION INSTRUCTIONS--You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return.	

Signature _____ PART 3--Awaiting TIN / /

Date_____

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN A $50 PENALTY IMPOSED BY THE INTERNAL REVENUE SERVICE AND BACKUP WITHHOLDING OF 31% OF ANY CASH PAYMENTS MADE TO YOU. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU CHECKED THE BOX IN PART 3 OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (1) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number by the time of payment, 31% of all reportable cash payments made to me thereafter will be withheld until I provide a taxpayer identification number.

_____ _____

Signature Date

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF $225,000,000 OUTSTANDING
10 3/8% SENIOR SUBORDINATED NOTES
DUE 2007
IN EXCHANGE FOR NEW
10 3/8% SERIES B SENIOR SUBORDINATED NOTES DUE 2007
OF
L-3 COMMUNICATIONS CORPORATION

Registered holders of outstanding 10 3/8% Senior Subordinated Notes due 2007 (the "Old Notes") who wish to tender their Old Notes in exchange for a like principal amount of new 10 3/8% Series B Senior Subordinated Notes due 2007 (the "Exchange Notes") and whose Old Notes are not immediately available or who cannot deliver their Old Notes and Letter of Transmittal (and any other documents required by the Letter of Transmittal) to The Bank of New York (the "Exchange Agent") prior to the Expiration Date, may use this Notice of Guaranteed Delivery or one substantially equivalent hereto. This Notice of Guaranteed Delivery may be delivered by hand or sent by facsimile transmission (receipt confirmed by telephone and an original delivered by guaranteed overnight courier) or mail to the Exchange Agent. See "The Exchange Offer--Procedure for Tendering Old Notes" in the Prospectus.

THE EXCHANGE AGENT FOR THE EXCHANGE OFFER IS:
THE BANK OF NEW YORK

BY HAND:
The Bank of New York
101 Barclay Street
New York, New York 10286
Attention: Reorganization Section

BY MAIL:
(INSURED OR REGISTERED RECOMMENDED)
The Bank of New York
101 Barclay Street
Corporate Trust Services Window
New York, New York 10286
Attention: Reorganization Section

BY OVERNIGHT EXPRESS:
The Bank of New York
101 Barclay Street
Corporate Trust Services Window
New York, New York 10286
Attention: Reorganization Section

BY FACSIMILE:
(212) 815-6339
(For Eligible Institutions Only)
BY TELEPHONE:
(212) 815-4444

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION VIA A FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

This Notice of Guaranteed Delivery is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an Eligible Institution (as defined in the Prospectus), such signature guarantee must appear in the applicable space provided on the Letter of Transmittal for Guarantee of Signatures.

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Ladies and Gentlemen:

The undersigned hereby tenders the principal amount of Old Notes indicated below, upon the terms and subject to the conditions contained in the Prospectus dated _____, 1997 of L-3 Communications Corporation (the "Prospectus"), receipt of which is hereby acknowledged.

DESCRIPTION OF SECURITIES TENDERED

NAME OF TENDERING HOLDER	NAME AND ADDRESS OF REGISTERED HOLDER AS IT APPEARS ON THE OLD NOTES (PLEASE PRINT)	CERTIFICATE NUMBER(S) OF OLD NOTES TENDERED	PRINCIPAL AMOUNT OF OLD NOTES TENDERED
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

THE FOLLOWING GUARANTEE MUST BE COMPLETED
GUARANTEE OF DELIVERY
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a member of a recognized signature guarantee medallion program within the meaning of Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, hereby guarantees to deliver to the Exchange Agent at one of its addresses set forth above, the certificates representing the Old Notes (or a confirmation of book-entry transfer of such Old Notes into the Exchange Agent's account at the book-entry transfer facility), together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, and any other documents required by the Letter of Transmittal within three business days after the Expiration Date (as defined in the Prospectus and the Letter of Transmittal).

Name of Firm: _____

(Authorized Signature)
_____

Address: _____
_____
_____Zip Code_____

Title: _____

Name: _____
(Please type or print)

Area Code and Telephone No.: _____

Date: _____

NOTE: DO NOT SEND OLD NOTES WITH THIS NOTICE OF GUARANTEED DELIVERY. OLD NOTES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.