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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 28, 2012
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file numbers 001-14141 and 333-46983

L-3 COMMUNICATIONS HOLDINGS, INC.
L-3 COMMUNICATIONS CORPORATION

(Exact names of registrants as specified in their charters)

Delaware
(State or other jurisdiction of
incorporation or organization)

600 Third Avenue, New York, NY
(Address of principal executive offices)

13-3937434 and 13-3937436
(I.R.S. Employer
Identification Nos.)

10016
(Zip Code)

(212) 697-1111
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes No

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Act). Yes No

There were 94,058,714 shares of L-3 Communications Holdings, Inc. common stock with a par value of \$0.01 outstanding as of the close of business on October 26, 2012.

L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION

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For the quarterly period ended September 28, 2012

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AND L-3 COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	(Unaudited) September 28, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 514	\$ 764
Billed receivables, net of allowances of \$27 in 2012 and \$25 in 2011	962	1,103
Contracts in process	2,839	2,351
Inventories	401	317
Deferred income taxes	131	132
Other current assets	139	191
Assets of discontinued operations	—	1,729
Total current assets	<u>4,986</u>	<u>6,587</u>
Property, plant and equipment, net	980	921
Goodwill	7,705	7,472
Identifiable intangible assets	327	308
Deferred debt issue costs	32	33
Other assets	170	176
Total assets	<u>\$ 14,200</u>	<u>\$ 15,497</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable, trade	\$ 476	\$ 395
Accrued employment costs	613	563
Accrued expenses	437	543
Advance payments and billings in excess of costs incurred	682	537
Income taxes	23	40
Other current liabilities	348	388
Liabilities of discontinued operations	—	351
Total current liabilities	<u>2,579</u>	<u>2,817</u>
Pension and postretirement benefits	1,090	1,137
Deferred income taxes	420	335
Other liabilities	391	359
Long-term debt	3,878	4,125
Total liabilities	<u>8,358</u>	<u>8,773</u>
Commitments and contingencies (see Note 16)		
Equity:		
L-3 shareholders' equity:		
L-3 Communications Holdings, Inc.'s common stock: \$.01 par value; 300,000,000 shares authorized, 94,802,315 shares outstanding at September 28, 2012 and 98,979,411 shares outstanding at December 31, 2011 (L-3 Communications Corporation's common stock: \$.01 par value, 100 shares authorized, issued and outstanding)	5,244	5,064
L-3 Communications Holdings, Inc.'s treasury stock (at cost), 52,532,762 shares at September 28, 2012 and 45,314,918 shares at December 31, 2011	(4,120)	(3,616)
Retained earnings	5,033	5,641
Accumulated other comprehensive loss	(391)	(454)
Total L-3 shareholders' equity	<u>5,766</u>	<u>6,635</u>
Noncontrolling interests of continuing operations	76	79
Noncontrolling interests of discontinued operations	—	10
Total equity	<u>5,842</u>	<u>6,724</u>
Total liabilities and equity	<u>\$ 14,200</u>	<u>\$ 15,497</u>

See notes to unaudited condensed consolidated financial statements

**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Third Quarter Ended	
	September 28, 2012	September 30, 2011
Net sales:		
Products	\$ 1,915	\$ 1,854
Services	1,368	1,447
Total net sales	<u>3,283</u>	<u>3,301</u>
Cost of sales:		
Products	1,717	1,645
Services	1,235	1,297
Total cost of sales	<u>2,952</u>	<u>2,942</u>
Operating income	331	359
Interest and other income, net	—	3
Interest expense	48	50
Debt retirement charge	8	—
Income from continuing operations before income taxes	275	312
Provision for income taxes	80	98
Income from continuing operations	195	214
Income (loss) from discontinued operations, net of income tax	(1)	24
Net income	\$ 194	\$ 238
Less: Net income attributable to noncontrolling interests	2	3
Net income attributable to L-3	\$ 192	\$ 235
Less: Net income allocable to participating securities	—	—
Net income allocable to L-3 Holdings' common shareholders	<u>\$ 192</u>	<u>\$ 235</u>
Basic earnings (loss) per share allocable to L-3 Holdings' common shareholders:		
Continuing operations	\$ 2.01	\$ 2.05
Discontinued operations	(0.01)	0.22
Basic earnings per share	<u>\$ 2.00</u>	<u>\$ 2.27</u>
Diluted earnings (loss) per share allocable to L-3 Holdings' common shareholders:		
Continuing operations	\$ 1.98	\$ 2.02
Discontinued operations	(0.01)	0.22
Diluted earnings per share	<u>\$ 1.97</u>	<u>\$ 2.24</u>
Cash dividends paid per common share	<u>\$ 0.50</u>	<u>\$ 0.45</u>
L-3 Holdings' weighted average common shares outstanding:		
Basic	<u>96.1</u>	<u>103.5</u>
Diluted	<u>97.4</u>	<u>104.8</u>

See notes to unaudited condensed consolidated financial statements

**L-3 COMMUNICATIONS HOLDINGS, INC.
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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Year-to-Date Ended	
	September 28, 2012	September 30, 2011
Net sales:		
Products	\$ 5,452	\$ 5,464
Services	4,134	4,151
Total net sales	<u>9,586</u>	<u>9,615</u>
Cost of sales:		
Products	4,837	4,829
Services	3,762	3,741
Total cost of sales	<u>8,599</u>	<u>8,570</u>
Operating income	987	1,045
Interest and other income, net	6	10
Interest expense	138	152
Debt retirement charge	8	18
Income from continuing operations before income taxes	847	885
Provision for income taxes	274	275
Income from continuing operations	573	610
Income from discontinued operations, net of income tax	32	81
Net income	\$ 605	\$ 691
Less: Net income attributable to noncontrolling interests	7	9
Net income attributable to L-3	\$ 598	\$ 682
Less: Net income allocable to participating securities	—	2
Net income allocable to L-3 Holdings' common shareholders	<u>\$ 598</u>	<u>\$ 680</u>
Basic earnings (loss) per share allocable to L-3 Holdings' common shareholders:		
Continuing operations	\$ 5.85	\$ 5.68
Discontinued operations	0.29	0.74
Basic earnings per share	<u>\$ 6.14</u>	<u>\$ 6.42</u>
Diluted earnings (loss) per share allocable to L-3 Holdings' common shareholders:		
Continuing operations	\$ 5.78	\$ 5.62
Discontinued operations	0.28	0.72
Diluted earnings per share	<u>\$ 6.06</u>	<u>\$ 6.34</u>
Cash dividends paid per common share	<u>\$ 1.50</u>	<u>\$ 1.35</u>
L-3 Holdings' weighted average common shares outstanding:		
Basic	97.4	106.0
Diluted	<u>98.7</u>	<u>107.2</u>

See notes to unaudited condensed consolidated financial statements

**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
Net income	\$ 194	\$ 238	\$ 605	\$ 691
Other comprehensive income (loss):				
Foreign currency translation adjustments	46	(81)	28	(14)
Unrealized gains (losses) on hedging instruments ⁽¹⁾	2	(9)	4	(11)
Pension and postretirement benefit plans:				
Amortization of net loss and prior service cost previously recognized ⁽²⁾	9	6	31	22
Total other comprehensive income (loss):	57	(84)	63	(3)
Comprehensive income	251	154	668	688
Less: Comprehensive income attributable to noncontrolling interests	2	3	7	9
Comprehensive income attributable to L-3	<u>\$ 249</u>	<u>\$ 151</u>	<u>\$ 661</u>	<u>\$ 679</u>

⁽¹⁾ Amounts are net of income tax benefits of \$1 and \$5 million for the quarterly periods ended September 28, 2012 and September 30, 2011, respectively, and income taxes of \$2 million and an income tax benefit of \$7 million for the year-to-date periods ended September 28, 2012 and September 30, 2011, respectively.

⁽²⁾ Amounts are net of income taxes of \$8 million and \$4 million for the quarterly periods ended September 28, 2012 and September 30, 2011, respectively, and \$20 million and \$14 million for the year-to-date periods ended September 28, 2012 and September 30, 2011, respectively.

See notes to unaudited condensed consolidated financial statements

**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in millions, except per share data)**

	L-3 Holdings' Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Shares Outstanding	Par Value						
For the Year-to-Date ended September 28, 2012:								
Balance at December 31, 2011	99.0	\$ 1	\$ 5,063	\$ (3,616)	\$ 5,641	\$ (454)	\$ 89	\$ 6,724
Net income					598		7	605
Other comprehensive income						63		63
Distributions to noncontrolling interests							(7)	(7)
Cash dividends paid on common stock (\$1.50 per share)					(146)			(146)
Shares issued:								
Employee savings plans	1.7		111					111
Exercise of stock options	0.2		12					12
Employee stock purchase plan	0.7		21					21
Stock-based compensation expense			46					46
Contribution received from the spin-off of Engility					335			335
Spin-off of Engility					(1,393)		(13)	(1,406)
Treasury stock purchased	(7.2)			(504)				(504)
Other	0.4		(10)		(2)			(12)
Balance at September 28, 2012	<u>94.8</u>	<u>\$ 1</u>	<u>\$ 5,243</u>	<u>\$ (4,120)</u>	<u>\$ 5,033</u>	<u>\$ (391)</u>	<u>\$ 76</u>	<u>\$ 5,842</u>
For the Year-to-Date ended September 30, 2011:								
Balance at December 31, 2010	108.6	\$ 1	\$ 4,800	\$ (2,658)	\$ 4,877	\$ (256)	\$ 91	\$ 6,855
Net income					682		9	691
Other comprehensive income						(3)		(3)
Distributions to noncontrolling interests							(9)	(9)
Cash dividends paid on common stock (\$1.35 per share)					(143)			(143)
Shares issued:								
Employee savings plans	1.6		108					108
Exercise of stock options	0.4		18					18
Employee stock purchase plan	0.9		23					23
Stock-based compensation expense			51					51
Treasury stock purchased	(10.8)			(800)				(800)
Other	0.2		(1)		(3)			(4)
Balance at September 30, 2011	<u>100.9</u>	<u>\$ 1</u>	<u>\$ 4,999</u>	<u>\$ (3,458)</u>	<u>\$ 5,413</u>	<u>\$ (259)</u>	<u>\$ 91</u>	<u>\$ 6,787</u>

See notes to unaudited condensed consolidated financial statements

**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year-to-Date Ended	
	September 28, 2012	September 30, 2011
Operating activities:		
Net income	\$ 605	\$ 691
Less: Income from discontinued operations, net of tax	32	81
Income from continuing operations	573	610
Depreciation of property, plant and equipment	124	125
Amortization of intangibles and other assets	41	44
Deferred income tax provision	50	80
Stock-based employee compensation expense	44	47
Contributions to employee savings plans in L-3 Holdings' common stock	104	89
Amortization of pension and postretirement benefit plans net loss and prior service cost	51	36
Amortization of bond discounts and deferred debt issue costs (included in interest expense)	5	10
Other non-cash items	9	5
Changes in operating assets and liabilities, excluding amounts from acquisitions, divestitures and discontinued operations:		
Billed receivables	161	18
Contracts in process	(385)	(204)
Inventories	(83)	(46)
Accounts payable, trade	47	41
Accrued employment costs	35	7
Accrued expenses	(120)	16
Advance payments and billings in excess of costs incurred	94	(74)
Income taxes	(6)	55
Excess income tax benefits related to share-based payment arrangements	(2)	(2)
Other current liabilities	(54)	(1)
Pension and postretirement benefits	(53)	(74)
All other operating activities	57	(33)
Net cash from operating activities from continuing operations	692	749
Investing activities:		
Contribution received from the spin-off of Engility	335	—
Business acquisitions, net of cash acquired	(349)	(15)
Capital expenditures	(124)	(124)
Dispositions of property, plant and equipment	6	5
Other investing activities	(5)	1
Net cash used in investing activities from continuing operations	(137)	(133)
Financing activities:		
Proceeds from sale of senior notes	—	646
Redemption of senior subordinated notes	(250)	(650)
Redemption of CODES	—	(11)
Borrowings under revolving credit facility	199	625
Repayment of borrowings under revolving credit facility	(199)	(625)
Common stock repurchased	(504)	(800)
Dividends paid on L-3 Holdings' common stock	(149)	(143)
Proceeds from exercises of stock options	12	21
Proceeds from employee stock purchase plan	30	34
Debt issue costs	(6)	(7)
Excess income tax benefits related to share-based payment arrangements	2	2
Other financing activities	(18)	(7)
Net cash used in financing activities from continuing operations	(883)	(915)
Effect of foreign currency exchange rate changes on cash and cash equivalents	4	—
Cash from (used in) discontinued operations:		
Operating activities	75	235
Investing activities	—	(4)
Financing activities	(1)	(1)
Cash from discontinued operations	74	230
Net decrease in cash and cash equivalents	(250)	(69)
Cash and cash equivalents, beginning of the period	764	607
Cash and cash equivalents, end of the period	\$ 514	\$ 538

See notes to unaudited condensed consolidated financial statements

**L-3 COMMUNICATIONS HOLDINGS, INC.
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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

1. Description of Business

L-3 Communications Holdings, Inc. derives all of its operating income and cash flows from its wholly-owned subsidiary, L-3 Communications Corporation (L-3 Communications). L-3 Communications Holdings, Inc. (L-3 Holdings and, together with its subsidiaries, referred to herein as L-3 or the “Company”) is a prime contractor in Command, Control, Communications, Intelligence, Surveillance and Reconnaissance (C³ISR) systems, aircraft modernization and maintenance, and national security solutions. L-3 is also a leading provider of a broad range of electronic systems used on military and commercial platforms. The Company’s customers include the United States (U.S.) Department of Defense (DoD) and its prime contractors, U.S. Government intelligence agencies, the U.S. Department of Homeland Security (DHS), U.S. Department of State (DoS), allied foreign governments, and domestic and foreign commercial customers.

On July 17, 2012, L-3 completed the spin-off of its subsidiary, Engility Holdings, Inc. (Engility) to L-3’s shareholders. The spin-off was a tax-free distribution to L-3 shareholders for U.S. federal tax purposes, except for cash received in lieu of fractional shares. L-3 shareholders of record on July 16, 2012 (the record date) received one share of Engility common stock for every six shares of L-3 common stock held on the record date. Engility began trading as an independent publicly traded company on the New York Stock Exchange on July 18, 2012.

Engility included the systems engineering and technical assistance (SETA), training and operational support services businesses that were part of L-3’s Government Services segment. L-3 retained the cyber security, intelligence, enterprise information technology (IT) and security solutions businesses that were also part of L-3’s Government Services segment, which was renamed National Security Solutions (NSS). The NSS businesses develop unique solutions to address growing challenges for DoD, U.S. Government intelligence agencies, and global security customers. As a result of the spin-off, the assets, liabilities, noncontrolling interests, results of operations and cash flows of the Engility businesses have been reclassified as discontinued operations for all periods presented. See Note 4 for additional information.

The Company has the following four reportable segments: (1) Electronic Systems, (2) C³ISR, (3) Aircraft Modernization and Maintenance (AM&M), and (4) NSS. Financial information with respect to each of the Company’s segments is included in Note 20. Electronic Systems provides a broad range of products and services, including components, products, subsystems and systems and related services to military and commercial customers in several niche markets across several business areas, including microwave, power & control systems, integrated sensor systems, aviation products, simulation & training, warrior systems, precision engagement, security & detection, space & propulsion, undersea warfare and marine services. C³ISR provides products and services for the global ISR market, C³ systems, networked communications systems and secure communications products. The Company believes that these products and services are critical elements for a substantial number of major command, control and communication, intelligence gathering and space systems. These products and services are used to connect a variety of airborne, space, ground and sea-based communication systems and are used in the transmission, processing, recording, monitoring, and dissemination functions of these communication systems. AM&M provides modernization, upgrades and sustainment, maintenance and logistics support services for military and various government aircraft and other platforms. The Company sells these services primarily to the DoD, the Canadian Department of Defense and other allied foreign governments. NSS provides a full range of cyber security, intelligence, enterprise information technology (IT) and security solutions services to the DoD, DoS, U.S. Government intelligence agencies and global security customers.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

2. Basis of Presentation

These unaudited condensed consolidated financial statements for the quarterly and year-to-date periods ended September 28, 2012 should be read in conjunction with the audited consolidated financial statements of L-3 Holdings and L-3 Communications included in their Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Principles of Consolidation and Reporting

The accompanying financial statements comprise the consolidated financial statements of L-3 Holdings and L-3 Communications. L-3 Holdings' only asset is its investment in the common stock of L-3 Communications, its wholly-owned subsidiary, and its only obligations are: (1) the 3% Convertible Contingent Debt Securities (CODES) due 2035, which were issued by L-3 Holdings on July 29, 2005, (2) its guarantee of borrowings under the Amended and Restated Revolving Credit Facility of L-3 Communications and (3) its guarantee of other contractual obligations of L-3 Communications and its subsidiaries. L-3 Holdings' obligations relating to the CODES have been jointly, severally, fully and unconditionally guaranteed by L-3 Communications and certain of its wholly-owned domestic subsidiaries. Accordingly, such debt has been reflected as debt of L-3 Communications in its consolidated financial statements in accordance with the accounting standards for pushdown accounting. All issuances of and conversions into L-3 Holdings' equity securities, including grants of stock options, restricted stock, restricted stock units and performance units by L-3 Holdings to employees and directors of L-3 Communications and its subsidiaries, have been reflected in the consolidated financial statements of L-3 Communications. As a result, the consolidated financial positions, results of operations and cash flows of L-3 Holdings and L-3 Communications are substantially the same. See Note 22 for additional information regarding the unaudited financial information of L-3 Communications and its subsidiaries.

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Accordingly, they do not include all of the disclosures required by U.S. GAAP for a complete set of annual audited financial statements. The December 31, 2011 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation of the results for the interim periods presented have been included. The results of operations for the interim periods are not necessarily indicative of results for the full year.

It is the Company's established practice to close its books for the quarters ending March, June and September on the Friday nearest to the end of the calendar quarter. The interim unaudited condensed consolidated financial statements included herein have been prepared and are labeled based on that convention. The Company closes its books for annual periods on December 31 regardless of what day it falls on.

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires 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 sales and costs of sales during the reporting period. The most significant of these estimates and assumptions relate to contract revenue, profit and loss recognition, fair values of assets acquired and liabilities assumed in business combinations, market values for inventories reported at lower of cost or market, pension and post-retirement benefit obligations, stock-based employee compensation expense, income taxes, including the valuations of deferred tax assets, litigation reserves and environmental obligations, accrued product warranty costs, and the recoverability, useful

**L-3 COMMUNICATIONS HOLDINGS, INC.
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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

lives and valuation of recorded amounts of long-lived assets, identifiable intangible assets and goodwill. Changes in estimates are reflected in the periods during which they become known. Actual amounts will differ from these estimates and could differ materially.

Sales and profits on contracts that are covered by accounting standards for construction-type and production-type contracts and federal government contractors are recognized using percentage-of-completion (POC) methods of accounting. For the year ended December 31, 2011, sales on such contracts represented approximately 45% of our consolidated net sales, including approximately 35% from fixed-price type contracts and 10% from cost-plus type contracts. For contracts accounted for under contract accounting standards, sales and profits are recognized based on: (1) a POC method of accounting (fixed-price contracts), (2) allowable costs incurred plus the estimated profit on those costs (cost-plus contracts), or (3) direct labor hours expended multiplied by the contractual fixed rate per hour plus incurred costs for material (time-and-material contracts). Sales and profits on fixed-price production contracts under which units are produced and delivered in a continuous or sequential process are recorded as units are delivered based on their contractual selling prices (the "units-of-delivery" method). Sales and profits on each fixed-price production contract under which units are not produced and delivered in a continuous or sequential process, or under which a relatively few number of units are produced, are recorded based on the ratio of actual cumulative costs incurred to total estimated costs at completion of the contract multiplied by the total estimated contract revenue, less cumulative sales recognized in prior periods (the "cost-to-cost" method). Under both POC methods of accounting, a single estimated total profit margin is used to recognize profit for each contract over its entire period of performance, which can exceed one year.

Accounting for the sales and profit on these fixed-price type contracts requires the preparation of estimates of (1) the total contract revenue, (2) the total costs at completion, which is equal to the sum of the actual incurred costs to date on the contract and the estimated costs to complete the contract's statement of work, and (3) the measurement of progress towards completion. The estimated profit or loss at completion on a contract is equal to the difference between the total estimated contract revenue and the total estimated cost at completion. The profit recorded on a contract in any period using either the units-of-delivery method or cost-to-cost method is equal to the current estimated total profit margin multiplied by the cumulative sales recognized, less the amount of cumulative profit previously recorded for the contract.

Sales and profits on cost-plus type contracts that are covered by contract accounting standards are recognized as allowable costs are incurred on the contract, at an amount equal to the allowable costs plus the estimated profit on those costs. The estimated profit on a cost-plus type contract is fixed or variable based on the contractual fee arrangement. Incentive and award fees are the primary variable fee contractual arrangement types for the Company. Incentive and award fees on cost-plus type contracts are included as an element of total estimated contract revenues and are recorded to sales when a basis exists for the reasonable prediction of performance in relation to established contractual targets and the Company is able to make reasonably dependable estimates for them.

Sales and profits on time-and-material type contracts are recognized on the basis of direct labor hours expended multiplied by the contractual fixed rate per hour, plus the actual costs of materials and other direct non-labor costs.

Revisions or adjustments to estimates for a contract's revenue, estimated costs at completion and estimated profit or loss are often required as work progresses under a contract, as experience is gained, as facts and circumstances change and as new information is obtained, even though the scope of work required under the contract may not change. Revisions or adjustments may also be required if contract modifications occur. The impact of revisions in profit (loss) estimates for all types of contracts subject to percentage-of-completion accounting are recognized on a cumulative catch-up basis in the period in which the revisions are made. The

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revisions in contract estimates, if significant, can materially affect our results of operations and cash flows, as well as reduce the valuations of receivables and inventories, and in some cases result in liabilities to complete contracts in a loss position. Aggregate net changes in contract estimates increased consolidated operating income by \$75 million, or 7.6%, for the year-to-date period ended September 28, 2012 and \$65 million, or 4.7%, for the year-to-date period ended September 30, 2011.

For a more complete discussion of these estimates and assumptions, see the Annual Report of L-3 Holdings and L-3 Communications on Form 10-K for the fiscal year ended December 31, 2011.

Reclassifications

Effective January 1, 2012, the Company re-aligned a business unit's management and organizational structure, and made related reclassifications between its Electronic Systems and C³ISR segments. The segment results presented in this quarterly report reflect this reclassification. See Note 20 for the prior period sales, operating income, and assets reclassified between segments.

3. New Accounting Standards

Effective January 1, 2012 the Company retrospectively adopted a new accounting standard issued by the Financial Accounting Standards Board (FASB) for the presentation of comprehensive income in financial statements. The adoption of this standard resulted in the presentation of a total for comprehensive income, and the components of net income and other comprehensive income in two separate, but consecutive statements. The adoption of this standard only changed how we present comprehensive income and did not impact the Company's financial position, results of operations or cash flows.

Effective January 1, 2012, the Company adopted a revised accounting standard issued by the FASB allowing companies to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, as a result of the qualitative assessment, it is more likely than not that the fair value of a reporting unit is less than its carrying amount, a more detailed two-step goodwill impairment test will be performed to identify potential goodwill impairment and measure the amount of loss to be recognized, if any. The standard is effective for goodwill impairment tests performed beginning in 2012, and did not have an impact on the Company's financial position, results of operations or cash flows.

4. Dispositions and Acquisitions

Spin-off of Engility

As discussed in Note 1, the Company completed the spin-off of its subsidiary, Engility, on July 17, 2012. In connection with the spin-off, Engility made a cash distribution of \$335 million to L-3. L-3 used a portion of the proceeds to redeem \$250 million of its 6 ³/₈% Senior Subordinated Notes due 2015 (2015 Notes) on July 26, 2012. See Note 9 for additional information on the redemption of the 2015 Notes. There was no gain or loss recognized by us as a result of the spin-off transaction.

Prior to the completion of the spin-off, L-3 and Engility entered into a Distribution Agreement dated July 16, 2012 and several other agreements that govern certain aspects of L-3's current relationship with Engility. These agreements generally provide that each party is responsible for its respective assets, liabilities and obligations, including employee benefits, insurance and tax related assets and liabilities, whether accrued or contingent. The agreements also describe L-3's commitments to provide Engility with certain services for a period of two to eighteen months in most circumstances.

L-3 incurred transaction expenses in connection with the spin-off of \$19 million (\$14 million after income taxes) for the year-to-date period ended September 28, 2012 and \$4 million (\$3 million after income taxes) for the year-to-date period ended September 30, 2011, respectively, which have been included in discontinued

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operations. In addition, L-3 allocated interest expense for debt not directly attributable or related to L-3's other operations of \$14 million and \$24 million for the year-to-date periods ended September 28, 2012 and September 30, 2011, respectively. Interest expense was allocated in accordance with the accounting standards for discontinued operations and was based on the ratio of Engility net assets to the sum of: (1) total L-3 consolidated net assets and (2) L-3 consolidated total debt.

Statement of operations data classified as discontinued operations related to Engility is provided in the table below:

	Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
	(in millions)			
Product and service revenues	\$ 68	\$ 486	\$ 911	\$ 1,539
Operating income from discontinued operations before income taxes	2	47	68	155
Interest expense allocated to discontinued operations	1	7	14	24
Income from discontinued operations before income taxes	\$ 1	\$ 40	\$ 54	\$ 131
Income tax expense	2	16	22	50
Income (loss) from discontinued operations, net of income tax	\$ (1)	\$ 24	\$ 32	\$ 81
Net income from discontinued operations attributable to noncontrolling interests	—	1	4	3
Net income (loss) from discontinued operations attributable to L-3	\$ (1)	\$ 23	\$ 28	\$ 78

In connection with the spin-off of Engility, L-3 was required to allocate the goodwill of the former Government Services reporting unit between Engility and NSS based on the relative fair values of each business at the spin-off date in accordance with the accounting standards for goodwill. As a result, based on the relative fair value, L-3 allocated \$1,225 million to Engility.

The major classes of assets and liabilities included in discontinued operations for Engility are presented in the table below:

	December 31, 2011 (in millions)
Assets	
Current assets	\$ 386
Property, plant and equipment, net	13
Goodwill	1,225
Other assets	105
Total assets of discontinued operations	\$ 1,729
Liabilities	
Accounts payable, trade	\$ 37
Other current liabilities	187
Current liabilities	224
Long-term liabilities	127
Total liabilities of discontinued operations	\$ 351

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All of the business acquisitions discussed below are included in the Company's results of operations from their respective dates of acquisition.

2012 Business Acquisitions

On February 6, 2012, the Company acquired the Kollmorgen Electro-Optical (KEO) business for a purchase price of \$205 million, which was financed with cash on hand. KEO develops and manufactures specialized equipment, including submarine photonics systems and periscopes, ship fire control systems, visual landing aids, ground electro-optical and sensor-cueing systems for the U.S. military and allied foreign governments. Based on preliminary purchase price allocations, goodwill of \$137 million was recognized, of which \$69 million is expected to be deductible for income tax purposes. The goodwill was assigned to the Electronic Systems segment. In addition, the Company recognized customer contractual relationships and technology intangibles of \$32 million in the aggregate, with estimated weighted average useful lives of 10 years. The final purchase price, which is expected to be completed by the fourth quarter of 2012, is subject to adjustment based on the closing date net working capital. In addition, the final purchase price allocation is also expected to be completed in the fourth quarter of 2012 and will be based on the final purchase price, final appraisals and other analysis of fair values of acquired assets and liabilities. The Company does not expect differences between the preliminary and final purchase price allocation to have a material impact on its results of operations or financial position.

On April 13, 2012, the Company acquired the assets and liabilities of MAVCO, Inc. (MAVCO) for \$10 million, with cash on hand. MAVCO is an audio, video, lighting and broadcast systems integration business primarily for cruise lines. Based on a preliminary purchase price allocation, goodwill of \$8 million was recognized, all of which is expected to be deductible for income tax purposes. The goodwill was assigned to the Electronics Systems segment. In addition, the Company recognized customer relationships and technology intangibles of \$1 million in the aggregate, with estimated weighted average useful lives of 7 years. The final purchase price allocation is expected to be completed in the fourth quarter of 2012 and will be based on the final purchase price, final appraisals and other analysis of fair values of acquired assets and liabilities. The Company does not expect that differences between the preliminary and final purchase price allocation to have a material impact on its results of operations or financial position.

Effective August 6, 2012, the Company acquired the commercial aircraft simulation business from Thales Group. L-3 renamed the business Link Simulation & Training U.K Limited (Link U.K.). The purchase price of \$134 million was financed with cash on hand. Link U.K. is a leading manufacturer of flight simulation systems for the commercial aviation market. Based on preliminary purchase price allocations, goodwill of \$65 million was recognized, of which \$59 million is expected to be deductible for income tax purposes. The goodwill was assigned to the Electronic Systems segment. In addition, the Company recognized customer contractual relationships and technology intangibles of \$20 million in the aggregate, with estimated weighted average useful lives of 10 years. The final purchase price, which is expected to be completed in the second quarter of 2013, is subject to adjustment based on the closing date net working capital. In addition, the final purchase price allocation is also expected to be completed in the second quarter of 2013 and will be based on the final purchase price, final appraisals and other analysis of fair values of acquired assets and liabilities. The Company does not expect that differences between the preliminary and final purchase price allocations for this acquisition will have a material impact on its results of operations or financial position.

2011 Business Acquisitions and Disposition

During the year ended December 31, 2011, in separate transactions, the Company acquired: (1) the communications and engineering business of ComHouse Wireless L.P. (ComHouse), which provides the Company with cellular wave form modulation technology, and (2) the cargo radiation screening business of Detector Networks International LLL (DNI) for an aggregate purchase price of \$18 million. Both business

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acquisitions were financed with cash on hand. Based on the purchase price allocations, which were finalized as of June 29, 2012, the aggregate goodwill recognized for the two acquired businesses was \$19 million, of which \$14 million is expected to be deductible for income tax purposes. The goodwill recognized for these businesses was assigned to the Electronic Systems segment.

In February 2011, the Company divested the Microdyne Corporation business, which was within the Electronic Systems segment. See Note 4 to the audited consolidated financial statements for the year ended December 31, 2011, included in the Company's Annual Report on Form 10-K for additional information regarding these business acquisitions and the disposition.

Unaudited Pro Forma Statements of Operations Data

The following unaudited pro forma Statement of Operations data presents the combined results of the Company and its business acquisitions completed during the year-to-date period ended September 28, 2012 and the year ended December 31, 2011, in each case assuming that the business acquisitions completed during the year-to-date period ended September 28, 2012 and the year ended December 31, 2011 had occurred on January 1, 2011.

	Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
Pro forma net sales	\$ 3,295	\$ 3,377	\$ 9,688	\$ 9,824
Pro forma income from continuing operations	195	218	574	620
Pro forma net income attributable to L-3	192	239	599	692
Pro forma diluted earnings per share from continuing operations	1.98	2.06	5.79	5.71
Pro forma diluted earnings per share	1.97	2.28	6.07	6.44

The unaudited pro forma results disclosed in the table above are based on various assumptions and are not necessarily indicative of the results of operations that would have occurred had the Company completed these acquisitions on January 1, 2011.

5. Contracts in Process

The components of contracts in process are presented in the table below.

	September 28, 2012	December 31, 2011
	(in millions)	
Unbilled contract receivables, gross	\$ 3,029	\$ 2,667
Unliquidated progress payments	(1,250)	(1,146)
Unbilled contract receivables, net	1,779	1,521
Inventoried contract costs, gross	1,135	909
Unliquidated progress payments	(75)	(79)
Inventoried contract costs, net	1,060	830
Total contracts in process	<u>\$ 2,839</u>	<u>\$ 2,351</u>

Inventoried Contract Costs. In accordance with contract accounting standards, the Company's U.S. Government contractor businesses account for the portion of their general and administrative (G&A), independent research and development (IRAD) and bids and proposal (B&P) costs that are allowable and

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reimbursable indirect contract costs under U.S. Government procurement regulations on their U.S. Government contracts (revenue arrangements) as inventoried contract costs. G&A, IRAD and B&P costs are allocated to contracts for which the U.S. Government is the end customer and are charged to costs of sales when sales on the related contracts are recognized. The Company's U.S. Government contractor businesses record the unallowable portion of their G&A, IRAD and B&P costs to expense as incurred, and do not include them in inventoried contract costs.

The table below presents a summary of G&A, IRAD and B&P costs included in inventoried contract costs and the changes to them, including amounts charged to cost of sales by the Company's U.S. Government contractor businesses for the periods presented.

	Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
	(in millions)			
Amounts included in inventoried contract costs at beginning of the period	\$ 105	\$ 112	\$ 91	\$ 97
Add: IRAD and B&P costs	84	79	256	242
Other G&A costs	213	211	648	623
Total contract costs incurred	297	290	904	865
Less: Amounts charged to cost of sales	(290)	(297)	(883)	(857)
Amounts included in inventoried contract costs at end of the period	<u>\$ 112</u>	<u>\$ 105</u>	<u>\$ 112</u>	<u>\$ 105</u>

The table below presents a summary of selling, general and administrative expenses and research and development expenses for the Company's commercial businesses, which are expensed as incurred and not included in inventoried contract costs.

	Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
	(in millions)			
Selling, general and administrative expenses	\$ 68	\$ 66	\$ 220	\$ 219
Research and development expenses	20	22	62	66
Total	<u>\$ 88</u>	<u>\$ 88</u>	<u>\$ 282</u>	<u>\$ 285</u>

6. Inventories

Inventories at Lower of Cost or Market. The table below presents the components of inventories at the lower of cost (first-in, first-out or average cost) or realizable value.

	September 28, 2012	December 31, 2011
		(in millions)
Raw materials, components and sub-assemblies	\$ 179	\$ 121
Work in process	162	143
Finished goods	60	53
Total	<u>\$ 401</u>	<u>\$ 317</u>

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7. Goodwill and Identifiable Intangible Assets

Goodwill. In accordance with the accounting standards for business combinations, the Company records the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition (commonly referred to as the purchase price allocation). The table below presents the changes in goodwill by segment.

	Electronic Systems	C ³ ISR	AM&M	NSS	Consolidated Total
	(in millions)				
Balance at December 31, 2011	\$ 4,471	\$ 866	\$ 1,169	\$ 966	\$ 7,472
Business acquisitions ⁽¹⁾	210	—	—	—	210
Foreign currency translation adjustments ⁽²⁾	12	—	10	1	23
Segment reclassification ⁽³⁾	69	(69)	—	—	—
Balance at September 28, 2012	<u>\$ 4,762</u>	<u>\$ 797</u>	<u>\$ 1,179</u>	<u>\$ 967</u>	<u>\$ 7,705</u>

⁽¹⁾ The increase in goodwill for the Electronic Systems segment is due to the KEO, MAVCO and Link U.K. business acquisitions. See Note 4 for further discussion regarding these acquisitions.

⁽²⁾ The increases in goodwill presented in the Electronic Systems, AM&M and NSS segments were primarily due to the weakening of the U.S. dollar against the Euro, Canadian dollar and British pound during the year-to-date period ended September 28, 2012.

⁽³⁾ Effective January 1, 2012, the Company re-aligned a business unit's management and organizational structure, as discussed in Note 2, and made a reclassification of goodwill between the Electronic Systems and C³ISR segments during the quarter ended March 30, 2012.

Identifiable Intangible Assets. Information on the Company's identifiable intangible assets that are subject to amortization is presented in the table below.

	September 28, 2012				December 31, 2011		
	Weighted Average Amortization Period (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
				(in millions)			
Customer contractual relationships	18	\$ 457	\$ 216	\$ 241	\$ 422	\$ 192	\$ 230
Technology	10	167	95	72	149	87	62
Other	16	27	13	14	27	11	16
Total	16	<u>\$ 651</u>	<u>\$ 324</u>	<u>\$ 327</u>	<u>\$ 598</u>	<u>\$ 290</u>	<u>\$ 308</u>

Amortization expense recorded by the Company for its identifiable intangible assets is presented in the table below.

	Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
Amortization Expense	<u>\$ 13</u>	<u>\$ 12</u>	<u>\$ 34</u>	<u>\$ 37</u>

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Based on gross carrying amounts at September 28, 2012, the Company's estimate of amortization expense for identifiable intangible assets for the years ending December 31, 2012 through 2016 are presented in the table below.

	Year Ending December 31,				
	2012	2013	2014	2015	2016
	(in millions)				
Estimated amortization expense	<u>\$ 45</u>	<u>\$ 40</u>	<u>\$ 42</u>	<u>\$ 37</u>	<u>\$ 31</u>

8. Other Current Liabilities and Other Liabilities

The table below presents the components of other current liabilities.

	September 28, 2012	December 31, 2011
	(in millions)	
Other Current Liabilities:		
Accruals for pending and threatened litigation (see Note 16)	\$ 10	\$ 23
Accrued product warranty costs	76	90
Estimated costs in excess of estimated contract value to complete contracts in process in a loss position	63	76
Accrued interest	54	59
Deferred revenues	40	43
Other	105	97
Total other current liabilities	<u>\$ 348</u>	<u>\$ 388</u>

The table below presents the components of other liabilities.

	September 28, 2012	December 31, 2011
	(in millions)	
Other Liabilities:		
Non-current income taxes payable (see Note 10)	\$ 136	\$ 149
Deferred compensation	43	40
Accrued workers' compensation	57	54
Estimated contingent purchase price payable for acquired businesses	12	16
Notes payable and capital lease obligations	27	10
Accrued product warranty costs	18	4
Other	98	86
Total other liabilities	<u>\$ 391</u>	<u>\$ 359</u>

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The table below presents the changes in the Company's accrued product warranty costs.

	Year-to-Date Ended	
	September 28, 2012	September 30, 2011
	(in millions)	
Accrued product warranty costs:⁽¹⁾		
Balance at January 1	\$ 94	\$ 92
Acquisitions during the period	2	—
Accruals for product warranties issued during the period	56	54
Settlements made during the period	(58)	(54)
Balance at end of period	<u>\$ 94</u>	<u>\$ 92</u>

⁽¹⁾ Warranty obligations incurred in connection with long-term production contracts that are accounted for under the percentage-of-completion cost-to-cost method are included within the contract estimates at completion and are excluded from the above amounts. The balances above include both the current and non-current amounts.

9. Debt

The components of debt and a reconciliation to the carrying amount of long-term debt is presented in the table below.

	September 28, 2012	December 31, 2011
	(in millions)	
L-3 Communications:		
Borrowings under Amended and Restated Revolving Credit Facility ⁽¹⁾	\$ —	\$ —
3.95% Senior Notes due 2016	500	500
5.20% Senior Notes due 2019	1,000	1,000
4.75% Senior Notes due 2020	800	800
4.95% Senior Notes due 2021	650	650
6 ³ / ₈ % Senior Subordinated Notes due 2015	250	500
Subtotal	<u>3,200</u>	<u>3,450</u>
L-3 Holdings:		
3% Convertible Contingent Debt Securities due 2035 ⁽²⁾	689	689
Principal amount of long-term debt	<u>3,889</u>	<u>4,139</u>
Less: Unamortized discounts	(11)	(14)
Carrying amount of long-term debt	<u>\$ 3,878</u>	<u>\$ 4,125</u>

⁽¹⁾ The Company's three-year revolving credit facility, which was amended and restated on February 3, 2012 and matures on February 3, 2017, provides for total aggregate borrowings of up to \$1 billion. At September 28, 2012, available borrowings under the Amended and Restated Revolving Credit Facility were \$997 million after reductions for outstanding letters of credit of \$3 million.

⁽²⁾ Under select conditions, including if L-3 Holdings common stock price is more than 120% (currently \$110.60) of the then current conversion price (currently \$92.17) for a specified period, the conversion feature of the CODES will require L-3 Holdings, upon conversion, to pay the holders of the CODES the principal amount in cash, and if the settlement amount exceeds the principal amount, the

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excess will be settled in cash or stock or a combination thereof, at the Company's option. At the current conversion price of \$92.17, the aggregate consideration to be delivered upon conversion would be determined based on 7.5 million shares of L-3 Holdings' common stock. See Note 10 to the audited consolidated financial statements for the year ended December 31, 2011, included in the Company's Annual Report on Form 10-K for additional information regarding the CODES, including conditions for conversion. L-3 Holdings' closing stock price on November 2, 2012 was \$75.85 per share. Through February 1, 2011, the effective interest rate on the CODES was 6.33%. Interest expense related to both the contractual coupon interest and amortization of the discount on the liability component. The Company amortized the discount on the liability component of the CODES through February 1, 2011 which was the first date that the holders of the CODES had a contractual right to require L-3 Holdings to repurchase the CODES. Interest expense for the CODES after February 1, 2011 relates only to the contractual coupon interest. Interest expense recognized was \$5 million each for the third quarter ended September 28, 2012 and September 30, 2011, and \$15 million and \$17 million for the year-to-date periods ended September 28, 2012 and September 30, 2011, respectively, a portion of which was allocated to discontinued operations. The carrying amount of the equity component (conversion feature) of the CODES was \$64 million at September 28, 2012 and December 31, 2011.

On February 3, 2012, L-3 Communications amended and restated its \$1 billion Revolving Credit Facility, which extended the expiration date to February 3, 2017. See Note 10 to the audited consolidated financial statements for the year ended December 31, 2011, included in the Company's Annual Report on Form 10-K for additional information regarding the Amended and Restated Revolving Credit Agreement.

On July 26, 2012 (the redemption date), L-3 Communications used a portion of the proceeds from the spin-off of Engility to redeem \$250 million of its 2015 Notes at a redemption price of 102.125%, plus accrued and unpaid interest, up to but not including the redemption date. In connection with the redemption of the 2015 Notes, the Company recorded a debt retirement charge of \$8 million (\$5 million after income tax, or \$0.05 per diluted share).

On October 15, 2012 (the redemption date), L-3 Communications redeemed the remaining outstanding \$250 million of its 2015 Notes at a redemption price of 101.063%, plus accrued and unpaid interest, up to but not including the redemption date. In connection with the redemption, the Company will record a debt retirement charge of approximately \$5 million (\$3 million after income tax, or \$0.03 per diluted share) in the quarter ending December 31, 2012.

10. Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. As of September 28, 2012, the statutes of limitations for the Company's U.S. Federal income tax returns for the years ended December 31, 2009 through 2011 were open. In the third quarter of 2012, the Company reversed previously accrued amounts relating to its provision for income taxes of \$11 million due to the expiration of the statute of limitations for several tax returns, including the Company's 2008 U.S. Federal income tax return as well as certain foreign tax returns. In the second quarter of 2011, the Company reached an agreement with the Internal Revenue Service in connection with the Company's 2006 and 2007 U.S. Federal income tax returns. As a result of this agreement, the Company reversed previously accrued amounts relating to its provision for income taxes by \$12 million. As of September 28, 2012, the Company anticipates that unrecognized tax benefits will decrease by approximately \$21 million over the next 12 months due to the potential resolution of unrecognized tax benefits involving several jurisdictions and tax periods. The actual amount of the decrease over the next 12 months could vary significantly depending on the ultimate timing and nature of any settlement.

Non-current income taxes payable include accrued potential interest of \$11 million (\$7 million after income taxes) at September 28, 2012 and December 31, 2011, and potential penalties of \$7 million at September 28, 2012 and \$8 million at December 31, 2011.

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11. L-3 Holdings' Earnings Per Common Share

A reconciliation of basic and diluted earnings per share (EPS) is presented in the table below.

	Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
(in millions, except per share data)				
Reconciliation of net income:				
Net income	\$ 194	\$ 238	\$ 605	\$ 691
Net income from continuing operations attributable to noncontrolling interests	(2)	(2)	(3)	(6)
Net income (loss) from discontinued operations attributable to noncontrolling interests	—	(1)	(4)	(3)
Net income allocable to participating securities	—	—	—	(2)
Net income allocable to L-3 Holdings' common shareholders	<u>\$ 192</u>	<u>\$ 235</u>	<u>\$ 598</u>	<u>\$ 680</u>
Earnings (loss) allocable to L-3 Holdings' common shareholders:				
Continuing operations	\$ 193	\$ 212	\$ 570	\$ 602
Discontinued operations, net of income tax	(1)	23	28	78
Net income allocable to L-3 Holdings' common shareholders	<u>\$ 192</u>	<u>\$ 235</u>	<u>\$ 598</u>	<u>\$ 680</u>
Earnings (loss) per share allocable to L-3 Holdings' common shareholders:				
Basic:				
Weighted average common shares outstanding	<u>96.1</u>	<u>103.5</u>	<u>97.4</u>	<u>106.0</u>
Basic earnings (loss) per share allocable to L-3 Holdings' common shareholders:				
Continuing operations	\$ 2.01	\$ 2.05	\$ 5.85	\$ 5.68
Discontinued operations, net of income tax	(0.01)	0.22	0.29	0.74
Basic earnings per share	<u>\$ 2.00</u>	<u>\$ 2.27</u>	<u>\$ 6.14</u>	<u>\$ 6.42</u>
Diluted:				
Common and potential common shares:				
Weighted average common shares outstanding	96.1	103.5	97.4	106.0
Assumed exercise of stock options	2.1	1.5	1.7	2.3
Unvested restricted stock awards	2.0	2.1	2.1	1.8
Employee stock purchase plan contributions	0.3	0.4	0.3	0.1
Performance unit awards	—	—	—	0.1
Assumed purchase of common shares for treasury	(3.1)	(2.7)	(2.8)	(3.1)
Assumed conversion of the CODES ⁽¹⁾	—	—	—	—
Common and potential common shares	<u>97.4</u>	<u>104.8</u>	<u>98.7</u>	<u>107.2</u>
Diluted earnings (loss) per share allocable to L-3 Holdings' common shareholders:				
Continuing operations	\$ 1.98	\$ 2.02	\$ 5.78	\$ 5.62
Discontinued operations, net of income tax	(0.01)	0.22	0.28	0.72
Diluted earnings per share	<u>\$ 1.97</u>	<u>\$ 2.24</u>	<u>\$ 6.06</u>	<u>\$ 6.34</u>

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(1) L-3 Holdings' CODES had no impact on diluted EPS for the quarterly or year-to-date periods ended September 28, 2012 or September 30, 2011 as the average market price of L-3 Holdings common stock during these periods was less than the price at which the CODES would have been convertible into L-3 Holdings common stock. As of September 28, 2012, the conversion price was \$92.17.

The computation of diluted EPS excluded 3.2 million and 3.5 million of stock options for the quarterly and year-to-date periods ended September 28, 2012, respectively, and 3.3 million and 3.1 million of stock options and restricted stock units for the quarterly and year-to-date periods ended September 30, 2011, respectively, as they were anti-dilutive.

12. Equity

On April 26, 2011, L-3 Holdings' Board of Directors approved a new share repurchase program that authorizes L-3 Holdings to repurchase up to \$1.5 billion of its outstanding shares of common stock through April 30, 2013. Repurchases of L-3 Holdings common stock under the share repurchase programs, approved by the Board of Directors, are made at management's discretion in accordance with applicable U.S. federal securities laws in the open market or otherwise. The timing and actual number of shares to be repurchased in the future will depend on a variety of factors, including the Company's financial position, earnings, legal requirements, other investment opportunities (including acquisitions), market conditions and other factors. All share repurchases of L-3 Holdings common stock have been recorded as treasury shares. L-3 Holdings repurchased 7.2 million shares of its common stock at an average price of \$69.83 per share for an aggregate amount of approximately \$504 million from January 1, 2012 through September 28, 2012. At September 28, 2012, the remaining dollar value under the \$1.5 billion share repurchase program was approximately \$630 million.

From September 29, 2012 through October 31, 2012, L-3 Holdings repurchased 1,019,790 shares of its common stock at an average price of \$73.06 per share for an aggregate amount of \$75 million.

On October 24, 2012, L-3 Holdings' Board of Directors declared a quarterly cash dividend of \$0.50 per share, payable on December 17, 2012, to shareholders of record at the close of business on November 19, 2012.

13. Fair Value Measurements

The following table presents the fair value hierarchy level for each of the Company's assets and liabilities that are measured and recorded at fair value on a recurring basis.

Description	September 28, 2012			December 31, 2011		
	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾
	(in millions)					
Assets						
Cash equivalents	\$ 406	\$ —	\$ —	\$ 725	\$ —	\$ —
Derivatives (foreign currency forward contracts)	—	10	—	—	10	—
Total Assets	<u>\$ 406</u>	<u>\$ 10</u>	<u>\$ —</u>	<u>\$ 725</u>	<u>\$ 10</u>	<u>\$ —</u>
Liabilities						
Derivatives (foreign currency forward contracts)	\$ —	\$ 3	\$ —	\$ —	\$ 9	\$ —

(1) Level 1 is based on quoted market prices available in active markets for identical assets or liabilities as of the reporting date. Cash equivalents are primarily held in registered money market funds which are valued using quoted market prices.

(2) Level 2 is based on pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable. The fair value is determined using a valuation model based on observable market inputs, including quoted foreign currency forward exchange rates and consideration of non-performance risk.

(3) Level 3 is based on pricing inputs that are not observable and not corroborated by market data. The Company has no Level 3 assets or liabilities.

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14. Financial Instruments

At September 28, 2012 and December 31, 2011, the Company's financial instruments consisted primarily of cash and cash equivalents, billed receivables, trade accounts payable, long-term debt (i.e., Senior Notes, Senior Subordinated Notes and CODES) and foreign currency forward contracts. The carrying amounts of cash and cash equivalents, billed receivables and trade accounts payable are representative of their respective fair values because of the short-term maturities or expected settlement dates of these instruments. The carrying amounts and estimated fair values of the Company's long-term debt and foreign currency forward contracts are presented in the table below.

	September 28, 2012		December 31, 2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(in millions)			
Senior Notes ⁽¹⁾	\$ 2,940	\$ 3,277	\$ 2,938	\$ 2,940
Senior Subordinated Notes ⁽¹⁾	249	253	498	513
CODES ⁽¹⁾	689	691	689	658
Foreign currency forward contracts ⁽²⁾	7	7	1	1

⁽¹⁾ The Company measures the fair value of its long-term debt using Level 2 inputs based primarily on current market yields for its existing debt traded in the secondary market.

⁽²⁾ See Note 15 for additional disclosures regarding the notional amounts and fair values of foreign currency forward contracts.

15. Derivative Financial Instruments

The Company's derivative financial instruments include foreign currency forward contracts, which are entered into for risk management purposes, and an embedded derivative representing the contingent interest payment provision related to the CODES.

Foreign Currency Forward Contracts. The Company's U.S. and foreign businesses enter into contracts with customers, subcontractors or vendors that are denominated in currencies other than their functional currencies. To protect the functional currency equivalent cash flows associated with certain of these contracts, the Company enters into foreign currency forward contracts. The Company's activities involving foreign currency forward contracts are designed to hedge the changes in the functional currency equivalent cash flows due to movements in foreign exchange rates compared to the functional currency. The foreign currencies hedged are primarily the Canadian dollar, the Euro, the British pound and the U.S. dollar. The Company manages exposure to counterparty non-performance credit risk by entering into foreign currency forward contracts only with major financial institutions that are expected to fully perform under the terms of such contracts. Foreign currency forward contracts are recorded in the Company's condensed consolidated balance sheets at fair value and are generally designated and accounted for as cash flow hedges in accordance with the accounting standards for derivative instruments and hedging activities. Gains and losses on designated foreign currency forward contracts that are highly effective in offsetting the corresponding change in the cash flows of the hedged transactions are recorded net of income taxes in accumulated other comprehensive income (loss) (accumulated OCI) and then recognized in income when the underlying hedged transaction affects income. Gains and losses on foreign currency forward contracts that do not meet hedge accounting criteria are recognized in income immediately.

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Notional amounts are used to measure the volume of foreign currency forward contracts and do not represent exposure to foreign currency losses. The table below presents the notional amounts of the Company's outstanding foreign currency forward contracts by currency at September 28, 2012:

Currency	Notional Amount (in millions)
U.S. dollar	\$ 118
Canadian dollar	63
Euro	61
British pound	24
Total	\$ 266

At September 28, 2012, the Company's foreign currency forward contracts had maturities through 2017.

Embedded Derivative. The embedded derivative related to the issuance of the CODES is recorded at fair value, which was zero at September 28, 2012 and December 31, 2011.

The table below presents the fair values and the location of the Company's derivative instruments in the condensed consolidated balance sheets.

	Fair Values of Derivative Instruments ⁽¹⁾							
	September 28, 2012				December 31, 2011			
	Other Current Assets	Other Assets	Other Current Liabilities	Other Liabilities	Other Current Assets	Other Assets	Other Current Liabilities	Other Liabilities
	(in millions)							
Derivatives designated as hedging instruments:								
Foreign currency forward contracts	\$ 5	\$ 4	\$ 2	\$ 1	\$ 3	\$ 5	\$ 8	\$ —
Derivatives not designated as hedging instruments:								
Foreign currency forward contracts	1	—	—	—	1	1	1	—
Embedded derivative related to the CODES	—	—	—	—	—	—	—	—
Total derivative instruments	\$ 6	\$ 4	\$ 2	\$ 1	\$ 4	\$ 6	\$ 9	\$ —

⁽¹⁾ See Note 13 for a description of the fair value hierarchy related to the Company's foreign currency forward contracts.

The effect of gains or losses from foreign currency forward contracts was not material to the unaudited condensed consolidated statements of operations for the quarterly and year-to-date periods ended September 28, 2012 and September 30, 2011. At September 28, 2012, the estimated amount of existing gains that are expected to be reclassified into income within the next 12 months is \$3 million.

16. Commitments and Contingencies

Guarantees

As previously discussed in Note 4, L-3 entered into a Distribution Agreement and several other agreements that govern certain aspects of L-3's relationship with Engility, including employee matters, tax matters, transition services, and the future supplier/customer relationship between L-3 and Engility. These agreements generally provide cross-indemnities that, except as otherwise provided, are principally designed to place the financial responsibility for the obligations and liabilities of each entity with that respective entity. Engility has joint and several liability with L-3 to the U.S. Internal Revenue Service (IRS) for the consolidated U.S. Federal income taxes of L-3's consolidated group for taxable periods in which Engility was a part of that group. However, the

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Tax Matters Agreement specifies the portion of this tax liability for which L-3 and Engility will each bear responsibility, and L-3 and Engility have agreed to indemnify each other against any amounts for which the other is not responsible. The Tax Matters Agreement also allocates responsibility between L-3 and Engility for other taxes, including special rules for allocating tax liabilities in the event that the spin-off is determined not to be tax-free. Though valid as between the parties, the Tax Matters Agreement is not binding on the IRS.

Procurement Regulations

A substantial majority of the Company's revenues are generated from providing products and services under legally binding agreements or contracts with U.S. Government and foreign government customers. U.S. Government 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. The Company is currently cooperating with the U.S. Government on several investigations, including those specified below, from which civil, criminal or administrative proceedings have or could result and give rise to fines, penalties, compensatory and treble damages, restitution and/or forfeitures. The Company does not currently anticipate that any of these investigations will have a material adverse effect, individually or in the aggregate, on its consolidated financial position, results of operations or cash flows. However, under U.S. Government regulations, an indictment of the Company by a federal grand jury, or an administrative finding against the Company as to its present responsibility to be a U.S. Government contractor or subcontractor, could result in the Company being suspended for a period of time from eligibility for awards of new government contracts or task orders or in a loss of export privileges. A conviction, or an administrative finding against the Company that satisfies the requisite level of seriousness, could result in debarment from contracting with the federal government for a specified term. In addition, all of the Company's U.S. Government contracts: (1) are subject to audit and various pricing and cost controls, (2) include standard provisions for termination for the convenience of the U.S. Government or for default, and (3) are subject to cancellation if funds for contracts become unavailable. Foreign government contracts generally include comparable provisions relating to terminations for convenience and default, as well as other procurement clauses relevant to the foreign government.

Litigation Matters

The Company is also subject to litigation, proceedings, claims or assessments and various contingent liabilities incidental to its businesses, including those specified below. Furthermore, in connection with certain business acquisitions, the Company has assumed some or all claims against, and liabilities of, such acquired businesses, including both asserted and unasserted claims and liabilities.

In accordance with the accounting standard for contingencies, the Company records a liability when management believes that it is both probable that a liability has been incurred and the Company can reasonably estimate the amount of the loss. Generally, the loss is recorded at the amount the Company expects to resolve the liability. The estimated amounts of liabilities recorded for pending and threatened litigation are disclosed in Note 8. Amounts recoverable from insurance contracts or third parties are recorded as assets when deemed probable. At September 28, 2012, the Company did not record any amounts for recoveries from insurance contracts or third parties in connection with the amount of liabilities recorded for pending and threatened litigation. Legal defense costs are expensed as incurred. The Company believes it has recorded adequate provisions for its litigation matters. The Company reviews these provisions quarterly and adjusts these provisions to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. While it is reasonably possible that an unfavorable outcome may occur in one or more of the following matters, unless otherwise stated below, the Company believes that it is not probable that a loss has been incurred in any of these matters. With respect to the litigation matters below for which it is reasonably possible that an unfavorable outcome may occur, an estimate of loss or range of loss is disclosed

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when such amount or amounts can be reasonably estimated. Although the Company believes that it has valid defenses with respect to legal matters and investigations pending against it, the results of litigation can be difficult to predict, particularly those involving jury trials. Accordingly, our current judgment as to the likelihood of our loss (or our current estimate as to the potential range of loss, if applicable) with respect to any particular litigation matter may turn out to be wrong. Therefore, it is possible that the financial position, results of operations or cash flows of the Company could be materially adversely affected in any particular period by the unfavorable resolution of one or more of these or other contingencies.

Kalitta Air. On January 31, 1997, a predecessor of Kalitta Air filed a lawsuit in the U.S. District Court for the Northern District of California (the trial court) asserting, among other things, negligence and negligent misrepresentation against Central Texas Airborne Systems, Inc. (CTAS), a predecessor to L-3 Integrated Systems (L-3 IS), in connection with work performed by a predecessor to CTAS to convert two Boeing 747 aircraft from passenger configuration to cargo freighters. CTAS' insurance carrier has accepted defense of this matter and has retained counsel, subject to a reservation of rights by the insurer to dispute its obligations under the applicable insurance policies in the event a judgment is ultimately rendered against CTAS. The work at issue in the lawsuit was performed using Supplemental Type Certificates (STCs) issued in 1988 by the Federal Aviation Administration (FAA). In 1996, following completion of the work, the FAA issued an airworthiness directive with respect to the STCs that effectively grounded the aircraft. On August 11, 2000, the trial court granted CTAS' motion for summary judgment as to negligence, dismissing that claim. In January 2001, after a ruling by the trial court that excluded certain evidence from trial, a jury rendered a unanimous defense verdict in favor of CTAS on the negligent misrepresentation claim. On December 10, 2002, the U.S. Court of Appeals for the Ninth Circuit (the Court of Appeals) reversed the trial court's decisions as to summary judgment and the exclusion of evidence, and remanded the case for a new trial on both the negligence and negligent misrepresentation claims. The retrial ended on March 2, 2005 with a deadlocked jury and mistrial. On July 22, 2005, the trial court granted CTAS' motion for judgment as a matter of law as to negligence, dismissing that claim, and denied CTAS' motion for judgment as a matter of law as to negligent misrepresentation. On October 8, 2008, the Court of Appeals reversed the trial court's dismissal of the negligence claim and affirmed the trial court's ruling as to the negligent misrepresentation claim. As a result, the case was remanded to the trial court to reconsider the negligence claim and for further proceedings on the negligent misrepresentation claim. The trial court held a new hearing on CTAS' motion to dismiss the negligence claim on April 30, 2009, after which it determined to take the matter under advisement. A third jury trial for this matter began on October 31, 2011, during which Kalitta Air sought damages of approximately \$235 million plus an unspecified amount of pre-judgment interest that, in other contexts, has been claimed by Kalitta Air to exceed \$240 million. Following the completion of the third trial on November 30, 2011, the jury rendered a verdict in favor of CTAS, finding no negligence on the part of CTAS. The trial court entered a judgment upon the verdict on March 20, 2012. Kalitta Air has appealed the judgment to the Court of Appeals.

Bashkirian Airways. On July 1, 2004, lawsuits were filed on behalf of the estates of 31 Russian children in the state courts of Washington, Arizona, California, Florida, New York and New Jersey against Honeywell, Honeywell TCAS, Thales USA, Thales France, the Company and Aviation Communications & Surveillance Systems (ACSS), which is a joint venture of L-3 and Thales. The suits relate to the crash over southern Germany of Bashkirian Airways Tupelov TU 154M aircraft and a DHL Boeing 757 cargo aircraft. On-board the Tupelov aircraft were 9 crew members and 60 passengers, including 45 children. The Boeing aircraft carried a crew of two. Both aircraft were equipped with Honeywell/ACSS Model 2000, Change 7 Traffic Collision and Avoidance Systems (TCAS). Sensing the other aircraft, the on-board DHL TCAS instructed the DHL pilot to descend, and the Tupelov on-board TCAS instructed the Tupelov pilot to climb. However, the Swiss air traffic controller ordered the Tupelov pilot to descend. The Tupelov pilot disregarded the on-board TCAS and put the Tupelov aircraft into a descent striking the DHL aircraft in midair at approximately 35,000 feet. All crew and passengers

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of both planes were lost. Investigations by the National Transportation Safety Board after the crash revealed that both TCAS units were performing as designed. The suits allege negligence and strict product liability based upon the design of the units and the training provided to resolve conflicting commands and seek approximately \$315 million in damages, including \$150 million in punitive damages. The Company's insurers have accepted defense of this matter and have retained counsel. The matters were consolidated in the U.S. District Court for the District of New Jersey, which has dismissed the actions on the basis of forum non conveniens. The plaintiffs re-filed a complaint on April 23, 2007 with the Barcelona Court's Registry in Spain. On March 9, 2010, the court ruled in favor of the plaintiffs and entered judgment against ACSS in the amount of approximately \$6.7 million, all of which represented compensatory damages. Both ACSS and the plaintiffs appealed the judgment. In May 2012, the appellate court ruled in favor of the plaintiffs and entered judgment against ACSS in the amount of \$48 million. The Company filed an appeal of the judgment with the Supreme Court of Spain on September 28, 2012 because it believes that the ruling and the damages awarded are inconsistent with the law and evidence presented. The Company continues to believe that it is not probable that a loss has been incurred with respect to this matter.

Gol Airlines. A complaint was filed on November 7, 2006 in the U.S. District Court for the Eastern District of New York against ExcelAire, Joseph Lepore, Jan Paul Paladino, and Honeywell. On October 23, 2007, an amended complaint was filed to include Lockheed, Raytheon, Amazon Technologies and ACSS. The complaints relate to the September 29, 2006 airplane crash over Brazil of a Boeing 737-800 operated by GOL Linhas Aereas Inteligentes, S.A. and an Embraer 600 business jet operated by ExcelAire. The complaints allege that ACSS designed the TCAS on the ExcelAire jet, and assert claims of negligence, strict products liability and breach of warranty against ACSS based on the design of the TCAS and the instructions provided for its use. The complaints seek unspecified monetary damages, including punitive damages. The Company's insurers have accepted defense of this matter and have retained counsel. On July 2, 2008, the District Court dismissed the actions on the basis of forum non conveniens on the grounds that Brazil was the location of the accident and is more convenient for witnesses and document availability. On December 2, 2009, the U.S. Court of Appeals for the Second Circuit upheld this decision. Twelve of the plaintiffs re-filed their complaints in the Lower Civil Court in the Judicial District of Peixoto de Azevedo in Brazil on July 3, 2009, but withdrew their complaints in July 2010 without prejudice to their right to re-file them against ACSS. An additional four plaintiffs re-filed their complaints in the Lower Civil Court in Rio de Janeiro before the expiration of the statute of limitations. ACSS has not been served in any of these actions. While the statute of limitations has expired and would bar any additional plaintiffs (beyond the 16 noted above) from re-filing claims directly against ACSS, it would not bar GOL from filing a future suit against ACSS based on litigation claims being pursued by the original plaintiffs against GOL in connection with this matter. The Company is unable to estimate a range of loss that is reasonably possible for this matter because: (i) the proceedings are in early stages; (ii) there are significant factual issues to be resolved; (iii) there is uncertainty as to the outcome of the claims being pursued against GOL; and (iv) the Company's knowledge of the proceedings relating to these claims is limited.

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17. Pension and Other Postretirement Benefits

The following table summarizes the components of net periodic benefit cost for the Company's pension and postretirement benefit plans.

	Pension Plans				Postretirement Benefit Plans			
	Third Quarter Ended		Year-to-Date Ended		Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
	(in millions)							
Components of net periodic benefit cost:								
Service cost	\$ 26	\$ 24	\$ 85	\$ 80	\$ —	\$ 1	\$ 3	\$ 4
Interest cost	34	32	100	96	2	3	7	8
Expected return on plan assets	(37)	(34)	(108)	(104)	—	(1)	(2)	(2)
Amortization of prior service credits	1	—	1	—	(1)	—	(2)	(2)
Amortization of net loss (gain)	17	11	51	38	—	(1)	1	—
Curtailment loss (gain)	4	(2)	5	—	—	—	—	—
Net periodic benefit cost	<u>\$ 45</u>	<u>\$ 31</u>	<u>\$ 134</u>	<u>\$ 110</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 7</u>	<u>\$ 8</u>

Contributions. For the year ending December 31, 2012, the Company currently expects to contribute cash of approximately \$174 million to its pension plans, and approximately \$13 million to its postretirement benefit plans. The Company contributed cash of \$138 million to its pension plans and \$8 million to its postretirement benefit plans during the year-to-date period ended September 28, 2012.

18. Employee Stock-Based Compensation

During the year-to-date period ended September 28, 2012, the Company granted stock-based compensation under the Amended and Restated 2008 Long Term Performance Plan (2008 LTTP) in the form of stock options, restricted stock units and performance units.

Engility Spin-off Adjustments. As a result of the spin-off of Engility, effective July 17, 2012, all outstanding stock-based compensation awards related to current and former Engility employees were assumed by and transferred to Engility. The share amounts for outstanding stock options, restricted stock units and performance units that remained with L-3, and the strike price for such stock options were adjusted to maintain their aggregate intrinsic value at the date of the spin-off pursuant to the terms of the Company's 2008 LTTP and resulted in no charge to the statement of operations. The conversion ratio for stock options, restricted stock units and performance units that remained with L-3 was 1.04.

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Stock Options. The Company granted 811,193 stock options with an exercise price equal to the closing price of L-3 Holdings common stock on the date of grant. The options expire after 10 years from the date of grant and vest ratably over a three-year period on the annual anniversary of the date of grant. The options granted to our Chairman, President and Chief Executive Officer are also subject to performance-based vesting conditions. The weighted average grant date fair value for the options awarded was \$11.12 per option and was estimated using the Black-Scholes option-pricing model. The weighted average assumptions used in the valuation model for this grant are presented in the table below.

Expected holding period (in years)	5.3
Expected volatility	26.5%
Expected dividend yield	3.5%
Risk-free interest rate	1.0%

Restricted Stock Units. The Company granted 715,866 restricted stock units with a weighted average grant date fair value of \$67.48 per share. Restricted stock units automatically convert into shares of L-3 Holdings common stock upon vesting, and are subject to forfeiture until certain restrictions have lapsed, including a three year cliff vesting period for employees and a one year cliff vesting period for non-employee directors, in each case starting on the date of grant.

Performance Units. The Company granted 66,756 performance units with a weighted average grant date fair value per unit of \$67.49. The final payout for these units is based on the achievement of pre-determined EPS goals established by the compensation committee of the Company's Board of Directors for the three-year period ending December 31, 2014. The payout can range from zero to 200% of the original number of units awarded, which are converted into shares of L-3 Holdings common stock based on the then existing closing price at the end of the performance period.

19. Supplemental Cash Flow Information

	Year-to-Date Ended	
	September 28, 2012	September 30, 2011
	(in millions)	
Interest paid on outstanding debt	\$ 152	\$ 171
Income tax payments, continuing operations	224	158
Income tax payments, discontinued operations	24	46
Income tax refunds	18	14

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20. Segment Information

The Company has four segments, which are described in Note 1. The tables below present net sales, operating income, depreciation and amortization and total assets by segment. Certain corporate expenses that had previously been allocated to the Engility businesses were retained by the Company and have been allocated to L-3's four reportable segments. These corporate expenses were \$7 million for the third quarter ended September 30, 2011, and \$10 million and \$20 million for the year-to-date periods ended September 28, 2012 and September 30, 2011 respectively.

	Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011 ⁽¹⁾	September 28, 2012	September 30, 2011 ⁽¹⁾
	(in millions)			
Net Sales:				
Electronic Systems	\$ 1,432	\$ 1,418	\$ 4,191	\$ 4,180
C ³ ISR	889	878	2,642	2,476
AM&M	715	671	2,033	1,975
NSS	353	421	1,042	1,257
Elimination of intercompany sales	(106)	(87)	(322)	(273)
Consolidated total	<u>\$ 3,283</u>	<u>\$ 3,301</u>	<u>\$ 9,586</u>	<u>\$ 9,615</u>
Operating Income:				
Electronic Systems	\$ 158	\$ 166	\$ 480	\$ 504
C ³ ISR	93	100	272	285
AM&M	65	60	179	180
NSS	15	33	56	76
Consolidated total	<u>\$ 331</u>	<u>\$ 359</u>	<u>\$ 987</u>	<u>\$ 1,045</u>
Depreciation and amortization:				
Electronic Systems	\$ 34	\$ 35	\$ 105	\$ 110
C ³ ISR	11	11	34	33
AM&M	4	4	15	13
NSS	5	4	11	13
Consolidated total	<u>\$ 54</u>	<u>\$ 54</u>	<u>\$ 165</u>	<u>\$ 169</u>
			September 28, 2012	December 31, 2011 ⁽¹⁾
			(in millions)	
Total Assets:				
Electronic Systems			\$ 8,144	\$ 7,555
C ³ ISR			2,086	2,022
AM&M			2,068	1,922
NSS			1,281	1,317
Corporate			621	952
Assets of Discontinued Operations			—	1,729
Consolidated total			<u>\$ 14,200</u>	<u>\$ 15,497</u>

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(1) Effective January 1, 2012, the company re-aligned a business unit's management and organizational structure, as discussed in Note 2, and made a reclassification of sales of \$17 million and \$55 million from the C³ISR segment to the Electronic Systems segment for the third quarter and year-to-date periods ended September 30, 2011, respectively. Operating income of \$2 million was reclassified from the C³ISR segment to the Electronic Systems segment for the third quarter period ended September 30, 2011. At December 31, 2011, \$124 million of assets were reclassified from the C³ISR segment to the Electronic Systems segment.

21. Employee Severance and Termination Costs

Consistent with the Company's strategy to continuously improve its cost structure and right-size its businesses, the Company has completed employment reduction actions across several of its businesses to reduce both direct and indirect costs, including overhead and general and administrative costs. As a result of these initiatives, the Company recorded \$19 million in employee severance and other related termination costs for approximately 1,200 employees during the year-to-date period ended September 28, 2012. During the year ended December 31, 2011, the Company recorded a total of \$20 million in employee severance and other termination costs for approximately 1,200 employees. Employee severance and other termination costs are reported within cost of sales on the unaudited condensed consolidated statement of operations. The remaining balance to be paid for these initiatives was \$10 million at September 28, 2012. Information on employee severance and other termination costs incurred by reportable segment for the year-to-date periods ended September 28, 2012 and September 30, 2011 is presented in the table below.

Reportable Segment	Year-to-Date Ended	
	September 28, 2012	September 30, 2011
	(in millions)	
Electronic Systems	\$ 14	\$ 9
C ³ ISR	4	1
AM&M	1	—
Consolidated	<u>\$ 19</u>	<u>\$ 10</u>

22. Condensed Combining Financial Information of L-3 Communications and Its Subsidiaries

L-3 Communications is a wholly-owned subsidiary of L-3 Holdings. The debt of L-3 Communications, including the Senior Notes, Senior Subordinated Notes and borrowings under amounts drawn against the Amended and Restated Revolving Credit Facility are guaranteed, on a joint and several, full and unconditional basis, by certain of its domestic subsidiaries (the "Guarantor Subsidiaries"). The debt of L-3 Holdings, including the CODES, are guaranteed on a joint and several, full and unconditional basis, by L-3 Communications and certain of its domestic subsidiaries. See Note 10 to the audited consolidated financial statements for the year ended December 31, 2011, included in the Company's Annual Report on Form 10-K. The foreign subsidiaries and certain domestic subsidiaries of L-3 Communications (the "Non-Guarantor Subsidiaries") do not guarantee the debt of L-3 Communications or L-3 Holdings. None of the debt of L-3 Communications has been issued by its subsidiaries. There are no restrictions on the payment of dividends from the Guarantor Subsidiaries to L-3 Communications.

Prior to the spin-off of Engility on July 17, 2012, Engility Holdings, Inc., Engility Corporation, International Resources Group Ltd. and LinCom Wireless, Inc. were guarantor subsidiaries of the Company. As a result of the spin-off, these entities no longer guarantee the debt of L-3 Communications or L-3 Holdings. As a result, the assets, liabilities, results of operations and cash flows of the Engility businesses have been reclassified from guarantor subsidiaries to L-3 Communications as discontinued operations in the following condensed combining financial information.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
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Under the terms of the indentures governing the Senior Notes and Senior Subordinated Notes, the guarantees of the Senior Notes and the Senior Subordinated Notes will automatically and unconditionally be released and discharged: (1) upon the release of all guarantees of all other outstanding indebtedness of L-3 Communications Corporation and, in the case of the Senior Subordinated Notes, its restricted subsidiaries, or (2) upon the determination that such guarantor is no longer a “domestic subsidiary,” in the case of the Senior Notes, or upon the designation of such guarantor as an “unrestricted subsidiary,” in the case of the Senior Subordinated Notes. In addition, the guarantees of the Senior Notes and the Senior Subordinated Notes will automatically and unconditionally be released and discharged 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 such guarantor (provided that, in the case of the Senior Subordinated Notes, in the event of a sale or other disposition of all of the assets of any guarantor, the net proceeds of such sale or disposition are applied in accordance with any applicable provisions of the senior subordinated indenture). In addition, under the terms of the indenture governing the CODES, the guarantees of the CODES will automatically and unconditionally be released and discharged upon: (1) the release of all guarantees of all other outstanding indebtedness of L-3 Holdings or any of its subsidiaries (other than a foreign subsidiary), (2) the designation of such guarantor as an “excluded subsidiary”, or (3) the sale or other disposition of all of the assets of any guarantor, by way of merger or consolidation, or a sale or other disposition of all of the capital stock of such guarantor.

**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

The following unaudited condensed combining financial information presents the results of operations, financial position and cash flows of: (1) L-3 Holdings, excluding L-3 Communications and its consolidated subsidiaries (the "Parent"), (2) L-3 Communications, excluding its consolidated subsidiaries, (3) the Guarantor Subsidiaries, (4) the Non-Guarantor Subsidiaries, and (5) the eliminations to arrive at the information for L-3 on a consolidated basis.

	L-3 Holdings (Parent)	L-3 Communications	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated L-3
(in millions)						
Condensed Combining Balance Sheets:						
At September 28, 2012:						
Current assets:						
Cash and cash equivalents	\$ —	\$ 361	\$ 1	\$ 217	\$ (65)	\$ 514
Billed receivables, net	—	318	434	210	—	962
Contracts in process	—	952	1,467	420	—	2,839
Other current assets	—	314	145	212	—	671
Total current assets	—	1,945	2,047	1,059	(65)	4,986
Goodwill	—	1,974	4,415	1,316	—	7,705
Other assets	—	716	565	228	—	1,509
Investment in and amounts due from consolidated subsidiaries	6,455	7,362	3,204	—	(17,021)	—
Total assets	<u>\$ 6,455</u>	<u>\$ 11,997</u>	<u>\$ 10,231</u>	<u>\$ 2,603</u>	<u>\$ (17,086)</u>	<u>\$ 14,200</u>
Current liabilities						
Amounts due to consolidated subsidiaries	\$ —	\$ 783	\$ 1,207	\$ 654	\$ (65)	\$ 2,579
Other long-term liabilities	—	—	—	242	(242)	—
Long-term debt	689	1,570	223	108	—	1,901
Total liabilities	689	6,231	1,430	1,004	(996)	8,358
L-3 shareholders' equity	5,766	5,766	8,801	1,599	(16,166)	5,766
Noncontrolling interests	—	—	—	—	76	76
Total equity	5,766	5,766	8,801	1,599	(16,090)	5,842
Total liabilities and equity	<u>\$ 6,455</u>	<u>\$ 11,997</u>	<u>\$ 10,231</u>	<u>\$ 2,603</u>	<u>\$ (17,086)</u>	<u>\$ 14,200</u>
At December 31, 2011:						
Current assets:						
Cash and cash equivalents	\$ —	\$ 644	\$ —	\$ 222	\$ (102)	\$ 764
Billed receivables, net	—	367	532	204	—	1,103
Contracts in process	—	860	1,234	257	—	2,351
Other current assets	—	313	135	192	—	640
Assets of discontinued operations	—	1,729	—	—	—	1,729
Total current assets	—	3,913	1,901	875	(102)	6,587
Goodwill	—	1,909	4,415	1,148	—	7,472
Other assets	—	731	522	185	—	1,438
Investment in and amounts due from consolidated subsidiaries	7,324	6,915	1,553	—	(15,792)	—
Total assets	<u>\$ 7,324</u>	<u>\$ 13,468</u>	<u>\$ 8,391</u>	<u>\$ 2,208</u>	<u>\$ (15,894)</u>	<u>\$ 15,497</u>
Current liabilities						
Liabilities of discontinued operations	\$ —	\$ 848	\$ 1,174	\$ 546	\$ (102)	\$ 2,466
Amounts due to consolidated subsidiaries	—	351	—	—	—	351
Other long-term liabilities	—	—	—	238	(238)	—
Long-term debt	689	1,509	231	91	—	1,831
Total liabilities	689	6,833	1,405	875	(1,029)	8,773
L-3 shareholders' equity	6,635	6,635	6,986	1,333	(14,954)	6,635
Noncontrolling interests	—	—	—	—	89	89
Total equity	6,635	6,635	6,986	1,333	(14,865)	6,724
Total liabilities and equity	<u>\$ 7,324</u>	<u>\$ 13,468</u>	<u>\$ 8,391</u>	<u>\$ 2,208</u>	<u>\$ (15,894)</u>	<u>\$ 15,497</u>

**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

	L-3 Holdings (Parent)	L-3 Communications	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated L-3
	(in millions)					
Condensed Combining Statements of Operations:						
For the quarter ended September 28, 2012:						
Total net sales	\$ —	\$ 868	\$ 1,929	\$ 574	\$ (88)	\$ 3,283
Total cost of sales	15	786	1,743	511	(103)	2,952
Operating (loss) income	(15)	82	186	63	15	331
Interest and other income, net	—	3	(4)	1	—	—
Interest expense	5	48	—	—	(5)	48
Debt retirement charge	—	8	—	—	—	8
(Loss) income from continuing operations before income taxes	(20)	29	182	64	20	275
(Benefit) provision for income taxes	(6)	9	53	18	6	80
Equity in net income of consolidated subsidiaries from continuing operations	206	173	—	—	(379)	—
Income from continuing operations	192	193	129	46	(365)	195
Loss from discontinued operations, net of income tax	—	(1)	—	—	—	(1)
Net income	192	192	129	46	(365)	194
Net income attributable to noncontrolling interests	—	—	—	—	2	2
Net income attributable to L-3	\$ 192	\$ 192	\$ 129	\$ 46	\$ (367)	\$ 192
Comprehensive income attributable to L-3	\$ 249	\$ 249	\$ 129	\$ 94	\$ (472)	\$ 249
For the quarter ended September 30, 2011:						
Total net sales	\$ —	\$ 905	\$ 1,938	\$ 541	\$ (83)	\$ 3,301
Total cost of sales	15	831	1,737	457	(98)	2,942
Operating (loss) income	(15)	74	201	84	15	359
Interest and other income, net	—	4	(1)	1	(1)	3
Interest expense	5	50	—	1	(6)	50
(Loss) income from continuing operations before income taxes	(20)	28	200	84	20	312
(Benefit) provision for income taxes	(7)	8	63	27	7	98
Equity in net income of consolidated subsidiaries from continuing operations	248	191	—	—	(439)	—
Income from continuing operations	235	211	137	57	(426)	214
Income from discontinued operations, net of income tax	—	24	—	—	—	24
Net income	235	235	137	57	(426)	238
Net income attributable to noncontrolling interests	—	—	—	—	3	3
Net income attributable to L-3	\$ 235	\$ 235	\$ 137	\$ 57	\$ (429)	\$ 235
Comprehensive income attributable to L-3	\$ 151	\$ 151	\$ 128	\$ (19)	\$ (260)	\$ 151

L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)

	L-3 Holdings (Parent)	L-3 Communications	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated L-3
(in millions)						
Condensed Combining Statements of Operations:						
For the year-to-date ended September 28, 2012:						
Total net sales	\$ —	\$ 2,645	\$ 5,476	\$ 1,718	\$ (253)	\$ 9,586
Total cost of sales	44	2,411	4,936	1,505	(297)	8,599
Operating (loss) income	(44)	234	540	213	44	987
Interest and other income, net	—	8	(4)	2	—	6
Interest expense	15	138	—	—	(15)	138
Debt retirement charge	—	8	—	—	—	8
(Loss) income from continuing operations before income taxes	(59)	96	536	215	59	847
(Benefit) provision for income taxes	(19)	32	173	69	19	274
Equity in net income of consolidated subsidiaries from continuing operations	638	502	—	—	(1,140)	—
Income from continuing operations	598	566	363	146	(1,100)	573
Income from discontinued operations, net of tax	—	32	—	—	—	32
Net income	598	598	363	146	(1,100)	605
Net income attributable to noncontrolling interests	—	—	—	—	7	7
Net income attributable to L-3	\$ 598	\$ 598	\$ 363	\$ 146	\$ (1,107)	\$ 598
Comprehensive income attributable to L-3	\$ 661	\$ 661	\$ 366	\$ 174	\$ (1,201)	\$ 661
For the year-to-date ended September 30, 2011:						
Total net sales	\$ —	\$ 2,677	\$ 5,586	\$ 1,601	\$ (249)	\$ 9,615
Total cost of sales	47	2,408	5,044	1,367	(296)	8,570
Operating (loss) income	(47)	269	542	234	47	1,045
Interest and other income (expense), net	—	12	(2)	3	(3)	10
Interest expense	18	150	1	4	(21)	152
Debt retirement charge	—	18	—	—	—	18
(Loss) income from continuing operations before income taxes	(65)	113	539	233	65	885
(Benefit) provision for income taxes	(20)	34	168	73	20	275
Equity in net income of consolidated subsidiaries from continuing operations	727	522	—	—	(1,249)	—
Income from continuing operations	682	601	371	160	(1,204)	610
Income from discontinued operations, net of tax	—	81	—	—	—	81
Net income	682	682	371	160	(1,204)	691
Net income attributable to noncontrolling interests	—	—	—	—	9	9
Net income attributable to L-3	\$ 682	\$ 682	\$ 371	\$ 160	\$ (1,213)	\$ 682
Comprehensive income attributable to L-3	\$ 679	\$ 679	\$ 360	\$ 150	\$ (1,189)	\$ 679

L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)

	L-3 Holdings (Parent)	L-3 Communications	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated L-3
(in millions)						
Condensed Combining Statements of Cash Flows:						
For the year-to-date ended September 28, 2012:						
Operating activities:						
Net cash from operating activities from continuing operations	\$ 653	\$ 96	\$ 527	\$ 169	\$ (753)	\$ 692
Investing activities:						
Business acquisitions, net of cash acquired	—	(349)	—	—	—	(349)
Investments in L-3 Communications	(27)	—	—	—	27	—
Other investing activities	—	262	(41)	(9)	—	212
Net cash used in investing activities from continuing operations	(27)	(87)	(41)	(9)	27	(137)
Financing activities:						
Redemption of senior subordinated notes and CODES	—	(250)	—	—	—	(250)
Common stock repurchased	(504)	—	—	—	—	(504)
Dividends paid on L-3 Holdings common stock	(149)	—	—	—	—	(149)
Dividends paid to L-3 Holdings	—	(653)	—	—	653	—
Investments from L-3 Holdings	—	27	—	—	(27)	—
Other financing activities	27	510	(485)	(169)	137	20
Net cash used in financing activities from continuing operations	(626)	(366)	(485)	(169)	763	(883)
Effect of foreign currency exchange rate changes on cash	—	—	—	4	—	4
Net increase in cash and cash equivalents of discontinued operations	—	74	—	—	—	74
Net (decrease) increase in cash	—	(283)	1	(5)	37	(250)
Cash and cash equivalents, beginning of the period	—	644	—	222	(102)	764
Cash and cash equivalents, end of the period	\$ —	\$ 361	\$ 1	\$ 217	\$ (65)	\$ 514
For the year-to-date ended September 30, 2011:						
Operating activities:						
Net cash from operating activities from continuing operations	\$ 954	\$ 131	\$ 562	\$ 113	\$ (1,011)	\$ 749
Investing activities:						
Business acquisitions, net of cash acquired	—	(15)	—	—	—	(15)
Investments in L-3 Communications	(42)	—	—	—	42	—
Other investing activities	—	(54)	(50)	(14)	—	(118)
Net cash used in investing activities from continuing operations	(42)	(69)	(50)	(14)	42	(133)
Financing activities:						
Proceeds from sale of senior notes	—	646	—	—	—	646
Redemption of senior subordinated notes and CODES	(11)	(650)	—	—	—	(661)
Common stock repurchased	(800)	—	—	—	—	(800)
Dividends paid on L-3 Holdings common stock	(143)	—	—	—	—	(143)
Dividends paid to L-3 Holdings	—	(954)	—	—	954	—
Investments from L-3 Holdings	—	42	—	—	(42)	—
Other financing activities	42	496	(512)	(98)	115	43
Net cash used in financing activities from continuing operations	(912)	(420)	(512)	(98)	1,027	(915)
Net increase in cash and cash equivalents of discontinued operations	—	230	—	—	—	230
Net (decrease) increase in cash	—	(128)	—	1	58	(69)
Cash and cash equivalents, beginning of the period	—	251	—	473	(117)	607
Cash and cash equivalents, end of the period	\$ —	\$ 123	\$ —	\$ 474	\$ (59)	\$ 538

ITEM 2.

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

Overview and Outlook

Spin-off of Engility

On July 17, 2012, L-3 completed the spin-off of its subsidiary, Engility Holdings, Inc. (Engility) to L-3's shareholders. The spin-off was a tax-free distribution to L-3 shareholders for U.S. federal tax purposes, except for cash received in lieu of fractional shares. L-3 shareholders of record on July 16, 2012 (the record date) received one share of Engility common stock for every six shares of L-3 common stock held on the record date. Engility began trading as an independent publicly traded company on the New York Stock Exchange on July 18, 2012.

Engility included the systems engineering and technical assistance (SETA), training and operational support services businesses that were part of L-3's Government Services segment. L-3 retained the cyber security, intelligence, enterprise information technology (IT) and security solutions businesses that were also part of L-3's Government Services segment, which was renamed National Security Solutions (NSS). The NSS businesses develop unique solutions to address growing challenges for the United States (U.S.) Department of Defense (DoD), U.S. Government intelligence agencies, and global security customers.

In connection with the spin-off, Engility made a cash distribution of \$335 million to L-3. We used a portion of the proceeds to redeem \$250 million of our 6³/₈% Senior Subordinated Notes due 2015 (2015 Notes) on July 26, 2012 and we intend to use the remaining proceeds primarily to repurchase outstanding shares of our common stock. There was no gain or loss recognized by us as a result of the spin-off transaction.

Prior to the completion of the spin-off, L-3 and Engility entered into a Distribution Agreement dated July 16, 2012 and several other agreements that govern certain aspects of our relationship with Engility following the spin-off. These agreements generally provide that each party will be responsible for its respective assets, liabilities and obligations, including employee benefits, insurance and tax-related assets and liabilities, following the spin-off, whether accrued or contingent. The agreements also describe our future commitments to provide Engility with certain services for a period of two to eighteen months in most circumstances.

As a result of the spin-off, the assets, liabilities and non-controlling interests, results of operations and cash flows of the Engility businesses have been classified as discontinued operations for all periods presented. We incurred transaction expenses in connection with the spin-off of \$19 million (\$14 million after income tax) for the year-to-date period ended September 28, 2012 and \$4 million (\$3 million after income tax) year-to-date period ended September 30, 2011, which have been included in discontinued operations. In addition, we allocated interest expense for debt not directly attributable or related to L-3's other operations of \$14 million for the year-to-date period ended September 28, 2012 and \$24 million for the year-to-date period ended September 30, 2011. Interest expense was allocated in accordance with the accounting standards for discontinued operations and was based on the ratio of Engility net assets to the sum of: (1) total L-3 consolidated net assets and (2) L-3 consolidated total debt.

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Statement of operations data classified as discontinued operations related to Engility is provided in the table below:

	Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011	September 28, 2012	September 30, 2011
	(in millions)			
Product and service revenues	\$ 68	\$ 486	\$ 911	\$ 1,539
Operating income from discontinued operations before income taxes	2	47	68	155
Interest expense allocated to discontinued operations	1	7	14	24
Income from discontinued operations before income taxes	\$ 1	\$ 40	\$ 54	\$ 131
Income tax expense	2	16	22	50
Income (loss) from discontinued operations, net of income tax	\$ (1)	\$ 24	\$ 32	\$ 81
Net income from discontinued operations attributable to noncontrolling interests	—	1	4	3
Net income (loss) from discontinued operations attributable to L-3	\$ (1)	\$ 23	\$ 28	\$ 78

In connection with the spin-off of Engility, L-3 was required to allocate the goodwill of the former Government Services reporting unit between Engility and NSS based on the relative fair values of each business at the spin-off date in accordance with the accounting standards for goodwill. As a result, based on the relative fair value, L-3 allocated \$1,225 million being allocated to Engility.

The major classes of assets and liabilities included as discontinued operations related to Engility are presented in the table below:

	December 31, 2011 (in millions)
Assets	
Current assets	\$ 386
Property, plant and equipment, net	13
Goodwill	1,225
Other assets	105
Total assets of discontinued operations	\$ 1,729
Liabilities	
Accounts payable, trade	\$ 37
Other current liabilities	187
Current liabilities	224
Long-term liabilities	127
Total liabilities of discontinued operations	\$ 351

L-3's Business

L-3 is a prime contractor in Command, Control, Communications, Intelligence, Surveillance and Reconnaissance (C³ISR) systems, aircraft modernization and maintenance, and national security solutions. L-3 is also a leading provider of a broad range of electronic systems used on military and commercial platforms. Our

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customers include the DoD and its prime contractors, U.S. Government intelligence agencies, the U.S. Department of Homeland Security (DHS), U.S. Department of State (DoS), allied foreign governments, and domestic and foreign commercial customers.

For the year ended December 31, 2011, we generated sales of \$13.2 billion. Our primary customer was the DoD. The table below presents a summary of our 2011 sales by end customer and the percent contributed by each to our total 2011 sales. We currently expect sales to the DoD, as a percentage of total 2012 sales, to decline by a few percentage points as compared to sales to the DoD as a percentage of total 2011 sales.

	<u>2011 Sales</u> <u>(in millions)</u>	<u>% of</u> <u>2011 Sales</u>
DoD	\$ 9,711	74%
Other U.S. Government	728	5
Total U.S. Government	10,439	79%
Foreign governments	1,192	9
Commercial — foreign	898	7
Commercial — domestic	629	5
Total sales	<u>\$ 13,158</u>	<u>100%</u>

We have the following four reportable segments: (1) Electronic Systems, (2) C³ISR, (3) Aircraft Modernization and Maintenance (AM&M), and (4) NSS. Financial information with respect to each of the Company's segments is included in Note 20. Electronic Systems provides a broad range of products and services, including components, products, subsystems and systems and related services to military and commercial customers in several niche markets across several business areas, including microwave, power & control systems, integrated sensor systems, aviation products, simulation & training, warrior systems, precision engagement, security & detection, space & propulsion, undersea warfare and marine services. C³ISR provides products and services for the global ISR (intelligence, surveillance and reconnaissance) market, C³ systems, networked communications systems and secure communications products. The Company believes that these products and services are critical elements for a substantial number of major command, control and communication, intelligence gathering and space systems. These products and services are used to connect a variety of airborne, space, ground and sea-based communication systems and are used in the transmission, processing, recording, monitoring, and dissemination functions of these communication systems. AM&M provides modernization, upgrades and sustainment, maintenance and logistics support services for military and various government aircraft and other platforms. The Company sells these services primarily to the DoD, the Canadian Department of Defense and other allied foreign governments. NSS provides a full range of cyber security, intelligence, enterprise information technology (IT) and security solutions services to the DoD, DoS, U.S. Government intelligence agencies and global security customers.

Industry Considerations

As described above, sales to the DoD represented approximately 74% of our total 2011 sales. The U.S. Government fiscal year ends on September 30th. From fiscal year (FY) 2000 to FY 2010, the DoD budget, including wartime funding for Overseas Contingency Operations (OCO) grew at a compound annual rate of approximately 9%. The total DoD budget (base and OCO) for FY 2011 was approximately flat compared to fiscal year 2010. During the year ended December 31, 2011, the U.S. Government completed its drawdown of U.S. military troops from Iraq, and began to drawdown troops from Afghanistan, in accordance with the Obama Administration's (the "Administration") plan to complete the drawdown from Afghanistan by the end of 2014. While the U.S. is expected to maintain a presence in the Middle East to deter aggression and prevent the emergence of new threats, we expect that there will be a rebalance toward other regions of the world such as the Asia-Pacific theatre. In addition, the U.S. Government has been under increasing pressure to reduce the U.S. fiscal budget deficit and national spending.

In August 2011, Congress enacted the Budget Control Act of 2011 (the BCA). The BCA immediately imposes spending caps that contain approximately \$487 billion in reductions to the DoD base budgets over the next ten years (FY 2012 to FY 2021), compared to previously proposed DoD base budgets for the same fiscal years. An

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automatic sequestration process was also triggered and becomes effective on January 3, 2013, unless modified by the enactment of new law. The sequestration process imposes additional cuts of approximately \$50 billion per year to the currently proposed DoD budgets for each fiscal year beginning with FY 2013 through FY 2021, for which FY 2013 to FY 2017 proposed DoD budgets are presented below. If the sequestration cuts to the DoD budgets occur, we expect that they will have a negative impact on our results of operations and cash flows, and could cause goodwill impairment charges.

On February 13, 2012, the Administration submitted its FY 2013 proposed budget (FY 2013 DoD Plan) to Congress, which complies with the first phase of the BCA imposed spending cuts. The FY 2013 DoD Plan reduces proposed DoD base budgets by \$259 billion for FY 2013 to FY 2017, compared to the previously proposed DoD base budgets. The FY 2013 DoD Plan does not address or provision for the automatic sequestration process. The FY 2013 DoD Plan reflects a revised national security strategy that includes a more disciplined use of resources from: (1) various efficiency initiatives, (2) military force structure reductions, (3) equipment modernization savings, including program terminations, restructuring and deferrals, and (4) military personnel compensation changes. The table below presents the enacted DoD budget (base and OCO) for FY 2012 and the proposed DoD budgets for FY 2013 to FY 2017, as provided in the FY 2013 DoD Plan.

<u>Fiscal Year</u>	<u>Base</u>	<u>OCO</u>	<u>Total</u>	<u>Annual Total Budget Change</u>
	(in billions)			
2012	\$530.6	\$115.1	\$645.7	-6%
2013	\$525.4	\$ 88.5	\$613.9	-5%
2014	\$533.6	\$ 44.2	\$577.8	-6%
2015	\$545.9	\$ 44.2	\$590.1	2%
2016	\$555.9	\$ 44.2	\$600.1	2%
2017	\$567.3	\$ 44.2	\$611.5	2%

The FY 2013 DoD Plan continues to focus on advanced ISR, communications, strike aircraft, precision-guided weapons, unmanned systems, networked information technologies, cyber security, special operations forces, missile defense and space programs, and generally, systems and capabilities that are critical to both conventional and irregular warfare, and the ability to project power in denied environments. We believe L-3 is well positioned to benefit from the DoD's focus in several of these areas. The declining DoD budgets, however, will reduce funding for some of our revenue arrangements and generally will have a negative impact on our sales, results of operations and cash flows. Additionally, the planned withdrawal of U.S. military forces from Afghanistan by the end of 2014 is expected to negatively impact our sales related to supporting U.S. military operations in Afghanistan.

In September 2012, Congress passed and the President signed a six-month continuing resolution on appropriations which funds the DoD at the BCA cap level until March 27, 2013.

Key Performance Measures

The primary financial performance measures that L-3 uses to manage its businesses and monitor results of operations are sales and operating income trends. The two main determinants of our operating income are sales and operating margin. We define operating margin as operating income as a percentage of sales. Management believes that these financial performance measures (sales growth and operating margin improvements) are the primary growth drivers for L-3's earnings per common share and net cash from operating activities. Generally, in evaluating our businesses and contract performance, we focus on net sales, operating income and operating margin, and not by type or amount of operating costs. As a result of this approach and the general nature of our operations, the discussion of results of operations focuses on changes in net sales and operating margin.

One of L-3's primary business objectives is to increase sales from organic growth and select business acquisitions. We define organic sales growth as the increase or decrease in sales for the current period compared to the prior period, excluding sales in the: (1) current period from business acquisitions that are included in L-3's actual results of operations for less than twelve months, and (2) prior period from business divestitures that are

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included in L-3's actual results of operations for the twelve-month period prior to the divestiture date. We expect to supplement our organic sales growth by selectively acquiring businesses that: (1) add important new technologies and products, (2) provide access to select customers, programs and contracts, (3) expand our market share and strengthen our businesses and (4) provide attractive returns on investment.

Sales Trend. For the year ended December 31, 2011, consolidated net sales of \$13,158 million declined by 2%, due to a decline in organic sales of 3%, partially offset by net sales from business acquisitions of 1%. For the quarter ended September 28, 2012 (2012 Third Quarter), consolidated net sales of \$3,283 million declined by \$18 million, or 0.5%, due to a decline in organic sales of \$81 million, or 2.4%, partially offset by net sales from acquisitions of \$63 million, or 1.9%, compared to the quarter ended September 30, 2011 (2011 Third Quarter). For the year-to-date period ended September 28, 2012 (2012 Year-to-Date Period), consolidated net sales of \$9,586 million declined by \$29 million, or 0.3%, due to a decline in organic sales of \$159 million, or 1.7%, partially offset by net sales from acquisitions of \$130 million, or 1.4%, compared to the year-to-date period ended September 30, 2011 (2011 Year-to-Date Period).

For the year ended December 31, 2011, our largest contract (revenue arrangement) in terms of annual sales was the Fort Rucker Maintenance Support contract with the U.S. Army Aviation and Missile Life Cycle Management Command (AMCOM), which is included in our AM&M segment. Under this contract, which generated approximately 4% of our 2011 sales, we provide maintenance, logistics and other related sustainment support services for rotary-wing aircraft assigned to Fort Rucker and satellite units in Alabama. On July 24, 2012, we won the AMCOM contract re-competition, which includes a one-year base period through September 30, 2013, and four one-year options, with an estimated total contract value of \$1.98 billion. However, the award has been protested. We expect a decision on the award in the fourth quarter of 2012. We cannot provide any reassurance that we will prevail in the protest.

Operating Income Trend. Operating income for the 2012 Third Quarter was \$331 million, a decrease of 8% from \$359 million for the 2011 Third Quarter. Our operating margin was 10.1% for the 2012 Third Quarter, a decrease of 80 basis points from 10.9% for the 2011 Third Quarter.

Operating income for the 2012 Year-to-Date Period was \$987 million, a decrease of 6% from \$1,045 million for the 2011 Year-to-Date Period. Our operating margin was 10.3% for the 2012 Year-to-Date Period, a decrease of 60 basis points from 10.9% for the 2011 Year-to-Date Period. See Results of Operations, including segment results below for a discussion of operating margin.

We are focused on increasing operating margin, to the extent possible, by reducing our indirect costs and improving our overall contract performance. Our 2012 Third Quarter and Year-to-Date Period operating margin was lower than our prior year comparative period operating margin and we expect our 2012 annual operating margin to decline as compared to 2011. While we are taking actions to increase operating margin, these actions may not be successful. Furthermore, in the future, select business acquisitions and select new business, including contract renewals and new contracts, could have lower operating margins than L-3's operating margin on existing business and contracts. Changes in the competitive environment and DoD procurement practices and reductions in our consolidated sales levels could also result in lower operating margin.

Other Events

2012 Amended and Restated Revolving Credit Facility. On February 3, 2012, we amended and restated our \$1 billion Revolving Credit Facility, which extended the expiration date to February 3, 2017. The terms of the Amended and Restated Revolving Credit Facility are substantially consistent with the terms of this facility prior to its amendment and restatement except that: (1) provisions that previously limited the ability of L-3 Communications to pay dividends, repurchase L-3 Holdings' common stock and make other distributions with respect to any capital stock were eliminated, (2) a provision that previously limited the ability of L-3 Communications to make investments in L-3 Holdings was made less restrictive and (3) the cost of borrowings, loan commitment fees and letter of credit fees were reduced. In addition, the Amended and Restated Revolving Credit Facility provides for uncommitted incremental revolving facilities and additional term loan facilities in an aggregate principal amount of up to \$500 million. See Note 9 of our unaudited condensed consolidated financial statements contained in this quarterly report for additional information regarding the amendment of our \$1 billion Amended and Restated Revolving Credit Facility.

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Debt Redemptions. On July 26, 2012 (the redemption date), L-3 Communications used a portion of the proceeds from the spin-off of Engility to redeem \$250 million of its 6³/₈% Senior Subordinated Notes due 2015 (2015 Notes) at a redemption price of 102.125%, plus accrued and unpaid interest, up to but not including the redemption date. In connection with the redemption of the 2015 Notes, we recorded a debt retirement charge of \$8 million (\$5 million after income tax, or \$0.05 per diluted share).

On October 15, 2012 (the redemption date), L-3 Communications redeemed the remaining outstanding \$250 million of its 2015 Notes at a redemption price of 101.063%, plus accrued and unpaid interest up to but not including the redemption date. In connection with the redemption we will record a debt retirement charge of approximately \$5 million (\$3 million after income tax, or \$0.03 per diluted share) in the quarter ending December 31, 2012.

Business Acquisitions and Dispositions

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 summarizes the business acquisitions and business dispositions that we completed during the three years ended December 31, 2011. During the 2012 Year-to-Date Period, we used \$349 million of cash to acquire the Kollmorgen Electro-Optical (KEO) business, MAVCO, Inc. (MAVCO) and the commercial aircraft simulation business from Thales Group (named Link Simulation & Training U.K., Limited (Link U.K.)). All of our business acquisitions are included in our consolidated results of operations from their dates of acquisition. Also, see Note 4 to our unaudited condensed consolidated financial statements contained in this quarterly report for further discussion of the business acquisitions completed during the 2012 Year-to-Date Period.

On July 17, 2012, we completed the previously announced spin-off of our subsidiary, Engility Holdings, Inc. See "Overview and Outlook" for further discussion of the distribution of proceeds and impact on our financial results and financial position.

Results of Operations

The following information should be read in conjunction with our unaudited condensed consolidated financial statements contained in this quarterly report. Our results of operations for the periods presented are affected by our business acquisitions. See Note 4 to our unaudited condensed consolidated financial statements contained in this quarterly report for a discussion of our 2012 business acquisitions and Note 4 to our audited consolidated financial statements for the year ended December 31, 2011, included in our Annual Report on Form 10-K, for a discussion of our 2011 business acquisitions.

Consolidated Results of Operations

The table below provides selected financial data for L-3 for the 2012 Third Quarter compared with the 2011 Third Quarter, and the 2012 Year-to-Date Period compared with the 2011 Year-to-Date Period.

(in millions, except per share data)	Third Quarter Ended			Year-to-Date Ended		
	September 28, 2012	September 30, 2011	Increase/ (decrease)	September 28, 2012	September 30, 2011	Increase/ (decrease)
Net sales	\$ 3,283	\$ 3,301	\$ (18)	\$ 9,586	\$ 9,615	\$ (29)
Operating income	\$ 331	\$ 359	\$ (28)	\$ 987	\$ 1,045	\$ (58)
Operating margin	10.1%	10.9%	(80) bpts	10.3%	10.9%	(60) bpts
Net interest expense and other income	\$ 48	\$ 47	\$ 1	\$ 132	\$ 142	\$ (10)
Debt retirement charge	\$ 8	\$ —	nm	\$ 8	\$ 18	\$ (10)
Effective income tax rate	29.1%	31.4%	(230) bpts	32.3%	31.1%	120 bpts
Income from continuing operations	\$ 195	\$ 214	\$ (19)	\$ 573	\$ 610	\$ (37)
Net income from continuing operations attributable to L-3	\$ 193	\$ 212	\$ (19)	\$ 570	\$ 604	\$ (34)
Diluted earnings per share from continuing operations	\$ 1.98	\$ 2.02	\$(0.04)	\$ 5.78	\$ 5.62	\$0.16
Diluted weighted average common shares outstanding	97.4	104.8	(7.4)	98.7	107.2	(8.5)

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Net Sales: For the 2012 Third Quarter, consolidated net sales of \$3.3 billion were 0.5% lower than the 2011 Third Quarter. Sales growth from the AM&M, C³ISR and Electronic Systems segments was offset by lower sales from the NSS segment. Acquired businesses, which are all included in the Electronic Systems segment, added \$63 million to net sales in the 2012 Third Quarter. Net sales to commercial and foreign government end customers grew 19% to \$808 million for the 2012 Third Quarter compared to \$679 million for the 2011 Third Quarter.

Sales from services, which include services performed by businesses primarily in our AM&M, C³ISR and NSS segments decreased by \$79 million to \$1,368 million, representing approximately 42% of consolidated net sales for the 2012 Third Quarter, compared to \$1,447 million, or approximately 44% of consolidated net sales for the 2011 Third Quarter. Sales from services decreased primarily due to: (1) a decrease in logistic support services due to the competitive loss of a task order for contract field team support services in Southwest Asia for the U.S. Army, (2) a decline in IT support services for select non-DoD U.S. Government agencies due to customer IT spending reductions and competitive contract losses in 2011, and (3) less demand for U.S. Special Operations Command IT support services due to our previous single-award contract converting to several multiple-award contracts, which reduced our work share.

Sales from products, which primarily include products from our Electronic Systems and C³ISR segments, increased by \$61 million to \$1,915 million, representing approximately 58% of consolidated net sales for the 2012 Third Quarter, compared to \$1,854 million, or approximately 56% of consolidated net sales for the 2011 Third Quarter. Sales from products increased primarily due to sales from the KEO and Link U.K. business acquisitions, and organic sales growth primarily for: (1) Platform Systems sales for the new Australia C-27J contract and (2) Microwave Products due to increased deliveries of mobile and ground-based satellite communication systems for the U.S. military and power devices for commercial satellite communication systems. These increases were partially offset by decreases due to Marine & Power Systems due to lower demand primarily for commercial shipbuilding products as well as negative foreign currency translation, lower sales for networked communications systems primarily from fewer deliveries of remote video terminals and reduced shipments of tactical quiet generators for the U.S. Army.

For the 2012 Year-to-Date Period consolidated net sales of \$9.6 billion decreased by \$29 million compared to the 2011 Year-to-Date Period. Higher sales from the C³ISR and AM&M segments were offset by lower sales from the NSS and Electronic Systems segments. Acquired businesses, which are all included in the Electronic Systems segment, added \$130 million to net sales in the 2012 Year-to-Date Period. Net sales to commercial and foreign government end customers grew 12% to \$2,223 million for the 2012 Year-to-Date Period compared to \$1,992 million for the 2011 Year-to-Date Period.

Sales from services decreased by \$17 million to \$4,134 million, representing approximately 43% of consolidated net sales for the 2012 Year-to-Date Period, compared to \$4,151 million, or approximately 43% of consolidated net sales for the 2011 Year-to-Date Period. The net decrease in sales from services was primarily due to trends similar to the 2012 Third Quarter as discussed above. Sales also declined for intelligence support services due to the drawdown of U.S. military forces in Iraq. In addition, sales increased due to higher demand for field maintenance and sustainment services on a U.S. Army rotary wing aircraft contract that was competitively won in September 2011 and for the U.S. C-12 aircraft.

Sales from products decreased by \$12 million to \$5,452 million, representing approximately 57% of consolidated net sales for the 2012 Year-to-Date Period, compared to \$5,464 million for the 2011 Year-to-Date Period, or approximately 57% of consolidated net sales for the 2011 Year-to-Date Period. The net decrease in product sales was primarily due to trends similar to the 2012 Third Quarter as discussed above as well as lower sales for Warrior Systems for night vision and illumination products due to reduced U.S. Army requirements and Precision Engagement due to contracts nearing completion and lower demand. In addition, the decreases were partially offset by organic sales growth from Sensor Systems due to higher sales of airborne EO/IR turrets to the DoD and networked communication systems due to higher volume for manned and unmanned platforms for the DoD.

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See the segment results below for additional discussion of our sales.

Operating income and operating margin: Operating income for the 2012 Third Quarter decreased by \$28 million compared to the 2011 Third Quarter. Operating income as a percentage of net sales (operating margin) decreased by 80 basis points to 10.1% for the 2012 Third Quarter compared to 10.9% for the 2011 Third Quarter primarily due to higher pension expense of \$15 million (\$9 million after income tax, or \$0.09 per diluted share) reduced operating margin by 40 basis points.

Operating income for the 2012 Year-to-Date Period decreased by \$58 million compared to the 2011 Year-to-Date Period. Operating margin decreased by 60 basis points to 10.3% for the 2012 Year-to-Date Period compared to 10.9% for the 2011 Year-to-Date Period. Higher pension expense of \$28 million (\$17 million after income tax, or \$0.17 per diluted share) reduced operating margin by 30 basis points.

See the segment results below for additional discussion of our operating margin.

Net interest expense and other income: Net interest expense and other income increased by \$1 million for the 2012 Third Quarter compared to the same period last year. The 2012 Third Quarter includes a \$3 million (\$2 million after income tax, or \$0.02 per diluted share) non-cash asset impairment charge related to the planned dissolution of an unconsolidated joint venture. Interest expense declined by \$2 million due to lower interest rates on outstanding fixed rate debt.

Net interest expense and other income decreased by \$10 million for the 2012 Year-to-Date Period compared to the same period last year. Lower interest expense of \$13 million on outstanding fixed rate debt was partially offset by the \$3 million non-cash asset impairment charge recorded in the 2012 Third Quarter, related to the planned dissolution of an unconsolidated joint venture.

Debt retirement charge: During the 2012 Third Quarter and Year-to-Date Period, the company recorded a debt retirement charge of \$8 million (\$5 million after income tax, or \$0.05 per diluted share) related to the redemption of \$250 million of the 2015 Notes.

During the 2011 Year-to-Date Period, the company redeemed \$650 million of its 5 ⁷/₈% Senior Subordinated Notes due 2015 and recorded a debt retirement charge of \$18 million (\$11 million after income tax, or \$0.10 per diluted share).

Effective income tax rate: The effective tax rate for the 2012 Third Quarter decreased by 230 basis points compared to the same period last year. The effective tax rate decreased by 390 basis points due to a tax benefit of \$11 million primarily related to the reversal of amounts previously accrued for tax years in which the statutes of limitations expired, partially offset by the expiration of the U.S. Federal research and experimentation tax credit on December 31, 2011.

The effective tax rate for the 2012 Year-to-Date Period increased by 120 basis points compared to the same period last year primarily due to the expiration of the U.S. Federal research and experimentation tax credit on December 31, 2011. The 2012 and 2011 Year-to-Date Periods included tax benefits of \$11 million and \$12 million, respectively, primarily related to the reversal of amounts previously accrued for prior tax years.

Net income from continuing operations attributable to L-3 and diluted earnings per share from continuing operations: Net income from continuing operations attributable to L-3 in the 2012 Third Quarter decreased 9% to \$193 million compared to the 2011 Third Quarter, and diluted earnings per share (EPS) from continuing operations decreased 2% to \$1.98 from \$2.02.

Net income from continuing operations attributable to L-3 in the 2012 Year-to-Date Period decreased 6% to \$570 million compared to the 2011 Year-to-Date Period, and diluted EPS from continuing operations increased 3% to \$5.78 from \$5.62.

Diluted weighted average common shares outstanding: Diluted weighted average common shares outstanding for the 2012 Third Quarter and the 2012 Year-to-Date Period declined by 7% and 8%, respectively. The decrease was due to repurchases of our common stock in connection with our share repurchase program authorized by our Board of Directors, partially offset by additional shares issued in connection with various employee stock-based compensation programs and contributions to employee savings plans made in common stock.

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Segment Results of Operations

The table below presents selected data by segment reconciled to consolidated totals. See Note 20 to our unaudited condensed consolidated financial statements contained in this quarterly report for additional segment data.

	Third Quarter Ended		Year-to-Date Ended	
	September 28, 2012	September 30, 2011 ⁽¹⁾	September 28, 2012	September 30, 2011 ⁽¹⁾
(dollars in millions)				
Net sales: ⁽²⁾				
Electronic Systems	\$ 1,395.1	\$ 1,385.8	\$ 4,060.1	\$ 4,072.8
C ³ ISR	885.9	874.9	2,634.1	2,466.7
AM&M	648.9	622.7	1,854.5	1,825.4
NSS	352.6	417.4	1,037.5	1,250.1
Consolidated net sales	<u>\$ 3,282.5</u>	<u>\$ 3,300.8</u>	<u>\$ 9,586.2</u>	<u>\$ 9,615.0</u>
Operating income:				
Electronic Systems	\$ 158.3	\$ 165.8	\$ 480.4	\$ 503.8
C ³ ISR	92.9	100.1	271.8	284.7
AM&M	65.0	60.4	178.8	180.5
NSS	14.5	32.5	56.1	75.9
Consolidated operating income	<u>\$ 330.7</u>	<u>\$ 358.8</u>	<u>\$ 987.1</u>	<u>\$ 1,044.9</u>
Operating margin:				
Electronic Systems	11.3%	12.0%	11.8%	12.4%
C ³ ISR	10.5%	11.4%	10.3%	11.5%
AM&M	10.0%	9.7%	9.6%	9.9%
NSS	4.1%	7.8%	5.4%	6.1%
Consolidated operating margin	10.1%	10.9%	10.3%	10.9%

⁽¹⁾ Effective January 1, 2012, the Company re-aligned a business unit's management and organizational structure, as discussed in Note 2, and made a reclassification of sales of \$17.3 million and \$55.5 million from the C³ISR segment to the Electronic Systems segment for the third quarterly and year-to-date periods ended September 30, 2011, respectively. Operating income of \$2.1 million was reclassified from the C³ISR segment to the Electronic Systems segment for the third quarterly period ended September 30, 2011.

⁽²⁾ Net sales are after intercompany eliminations.

Electronic Systems

	Third Quarter Ended		Increase/ (decrease)	Year-to-Date Ended		Decrease
	September 28, 2012	September 30, 2011		September 28, 2012	September 30, 2011	
(dollars in millions)						
Net sales	\$ 1,395.1	\$ 1,385.8	\$ 9.3	\$ 4,060.1	\$ 4,072.8	\$ (12.7)
Operating income	\$ 158.3	\$ 165.8	\$ (7.5)	\$ 480.4	\$ 503.8	\$ (23.4)
Operating margin	11.3%	12.0%	(70) bpts	11.8%	12.4%	(60) bpts

Electronic Systems net sales for the 2012 Third Quarter increased by \$9 million, or 1%, compared to the 2011 Third Quarter. Sales increased for: (1) Microwave Products by \$35 million primarily for increased deliveries of mobile and ground-based satellite communication systems for the U.S. military and power devices for commercial satellite communication systems, (2) Sensor Systems by \$30 million primarily from the KEO acquisition and (3) Simulation & Training by \$20 million primarily due to the Link U.K. acquisition. These increases were partially offset by a sales decrease of \$63 million for Marine & Power Systems due to lower

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demand primarily for commercial shipbuilding products, which reduced sales by \$37 million (including \$15 million of negative foreign currency translation), and reduced shipments of tactical quiet generators for the U.S. Army, which reduced sales by \$26 million. Also, sales declined by \$13 million for Precision Engagement due to lower volume from contracts nearing completion during the quarter and lower demand.

Electronic Systems operating income for the 2012 Third Quarter decreased by \$8 million, or 5%, compared to the 2011 Third Quarter. Operating margin decreased by 70 basis points to 11.3%. Sales mix changes reduced operating margin by 40 basis points and higher pension expense of \$4 million reduced operation margin by 30 basis points.

Electronic Systems net sales for the 2012 Year-to-Date period decreased by \$13 million, or 0.3%, compared to the 2011 Year-to-Date period. Sales declined for: (1) Marine & Power Systems by \$105 million primarily due to reduced shipments of tactical quiet generators for the U.S. Army, which reduced sales by \$72 million and \$33 million of negative foreign currency translation, (2) Warrior Systems by \$68 million for night vision and illumination products due to reduced U.S. Army requirements, and (3) Precision Engagement by \$65 million due to contracts nearing completion and lower demand. These declines were partially offset by sales increases of: (1) \$135 million for Sensor Systems, comprised of \$100 million from the KEO acquisition and \$35 million primarily for higher sales of airborne EO/IR turrets for the DoD, (2) \$66 million primarily for Microwave Products due to reasons similar to the 2012 Third Quarter, and (3) \$24 million for the Link U.K. acquisition.

Electronic Systems operating income for the 2012 Year-to-Date period decreased by \$23 million, or 5%, compared to the 2011 Year-to-Date period. Operating margin decreased by 60 basis points to 11.8%. Sales mix changes reduced operating margin by 80 basis points and higher pension expense of \$4 million reduced operating margin by 10 basis points. This decrease was partially offset by improved contract performance, primarily for Displays, Warrior Systems and Precision Engagement, which increased operating margin by 30 basis points.

C³ISR

	Third Quarter Ended			Year-to-Date Ended		
	September 28, 2012	September 30, 2011	Increase/ (decrease)	September 28, 2012	September 30, 2011	Increase/ (decrease)
	(dollars in millions)					
Net sales	\$ 885.9	\$ 874.9	\$ 11.0	\$ 2,634.1	\$ 2,466.7	\$ 167.4
Operating income	\$ 92.9	\$ 100.1	\$ (7.2)	\$ 271.8	\$ 284.7	\$ (12.9)
Operating margin	10.5%	11.4%	(90) bpts	10.3%	11.5%	(120) bpts

C³ISR net sales for the 2012 Third Quarter increased by \$11 million, or 1%, compared to the 2011 Third Quarter. Sales for ISR Systems increased by \$49 million primarily due to higher volume for airborne ISR systems. These increases were partially offset by lower sales of \$38 million for networked communication systems primarily from fewer deliveries of remote video terminals and lower volume on the Hawklink contract due to development and low rate initial production work nearing completion.

C³ISR operating income for the 2012 Third Quarter decreased by \$7 million, or 7%, compared to the 2011 Third Quarter. Operating margin decreased by 90 basis points to 10.5%. Higher pension expense of \$10 million reduced operating margin by 110 basis points and sales mix changes reduced operating margin by 40 basis points. This decrease was partially offset by improved contract performance, which increased operating margin by 60 basis points.

C³ISR net sales for the 2012 Year-to-Date period increased by \$167 million, or 7%, compared to the 2011 Year-to-Date period. Sales for ISR Systems increased by \$144 million primarily due to higher volume on airborne ISR systems and increased demand for logistic support and fleet management services. Sales also increased by \$23 million primarily for networked communication systems due to higher volume for manned and unmanned platforms for DoD customers.

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C³ISR operating income for the 2012 Year-to-Date period decreased by \$13 million, or 5%, compared to the 2011 Year-to-Date period. Operating margin decreased by 120 basis points to 10.3%. Higher pension expense of \$19 million reduced operating margin by 70 basis points and sales mix changes reduced operating margin by 80 basis points. These decreases were partially offset by improved contract performance, which increased operating margin by 30 basis points.

AM&M

	Third Quarter Ended			Increase	Year-to-Date Ended			Increase/ (decrease)
	September 28, 2012	September 30, 2011			September 28, 2012	September 30, 2011		
	(dollars in millions)							
Net sales	\$ 648.9	\$ 622.7	\$ 26.2	\$ 1,854.5	\$ 1,825.4	\$ 29.1		
Operating income	\$ 65.0	\$ 60.4	\$ 4.6	\$ 178.8	\$ 180.5	\$ (1.7)		
Operating margin	10.0%	9.7%	30 bpts	9.6%	9.9%	(30) bpts		

AM&M net sales for the 2012 Third Quarter increased by \$26 million, or 4%, compared to the 2011 Third Quarter. Platform systems sales increased by \$99 million, partially offset by a decline of \$73 million for logistics support services. The platform systems increase was due primarily to volume on new contracts, including the Australia C-27J and international head-of-state aircraft modification contracts, and increased scope on the EC-130 aircraft for the U.S. Air Force (USAF). Logistics support services decreased due primarily to the competitive loss of a task order for U.S. Army contract field team support services in Southwest Asia.

AM&M operating income for the 2012 Third Quarter increased by \$5 million, or 8%, compared to the 2011 Third Quarter. Operating margin increased 30 basis points to 10.0%. Operating margin increased by 100 basis points due to lower costs related to the Joint Cargo Aircraft (JCA). This increase was partially offset by 50 basis points primarily due to sales mix changes and 20 basis points due to higher pension expense of \$1 million.

AM&M net sales for the 2012 Year-to-Date period increased by \$29 million, or 2%, compared to the 2011 Year-to-Date period. Platform systems sales increased by \$78 million, which was partially offset by a decline of \$49 million for logistic support services. The platform systems increase was due primarily to volume on new contracts, including the Australia C-27J and international head-of-state aircraft modification contracts, and increased scope on the EC-130 aircraft for the USAF. These increases were partially offset by lower JCA volume for the USAF. Logistics support services decreased due primarily to the loss of a task order for U.S. Army contract field team support services in Southwest Asia, partially offset by increased demand for field maintenance and sustainment services on a U.S. Army rotary wing aircraft contract that was competitively won in September 2011 and for U.S. Army C-12 aircraft.

AM&M operating income for the 2012 Year-to-Date period decreased by \$2 million, or 0.9%, compared to the 2011 Year-to-Date period. Operating margin decreased by 30 basis points to 9.6%. The decrease in operating margin was due to a \$6 million, or 30 basis points, net favorable adjustment in the 2011 Year-to-Date period, comprised of a favorable price adjustment for an international modification contract, partially offset by start-up costs for the U.S. Army C-12 aircraft maintenance contract. Pension expense increased by \$5 million, which reduced operating margin by 30 basis points. These decreases were partially offset by 30 basis points primarily due to lower costs related to JCA.

NSS

	Third Quarter Ended			Decrease	Year-to-Date Ended			Decrease
	September 28, 2012	September 30, 2011			September 28, 2012	September 30, 2011		
	(dollars in millions)							
Net sales	\$ 352.6	\$ 417.4	\$ (64.8)	\$ 1,037.5	\$ 1,250.1	\$ (212.6)		
Operating income	\$ 14.5	\$ 32.5	\$ (18.0)	\$ 56.1	\$ 75.9	\$ (19.8)		
Operating margin	4.1%	7.8%	(370) bpts	5.4%	6.1%	(70) bpts		

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NSS net sales for the 2012 Third Quarter decreased by \$65 million, or 16%, compared to the 2011 Third Quarter. Less demand for U.S. Special Operations Command IT support services, due to our previous single-award contract converting to several multiple-award contracts which reduced our workshare, lowered sales by \$27 million. A decline in IT support services for select non-DoD U.S. Government agencies due to customer IT spending reductions and competitive contract losses in 2011 lowered sales by \$25 million. Sales declined by \$13 million for intelligence support services due to the drawdown of U.S. military forces in Iraq.

NSS operating income for the 2012 Third Quarter decreased by \$18 million, or 55%, compared to the 2011 Third Quarter. Operating margin decreased by 370 basis points to 4.1% primarily due to: (1) lower contract profit rates on re-competitions of existing business and lower sales volume, which reduced operating margin by 200 basis points, (2) a \$4 million inventory write-down for security and safety equipment, which reduced operating margin by 110 basis points, and (3) legal fees of \$2 million related to a supplier dispute, which reduced operating margin by 60 basis points.

NSS net sales for the 2012 Year-to-Date period decreased by \$213 million, or 17%, compared to the 2011 Year-to-Date period. The decrease was primarily due to trends similar to the 2012 Third Quarter. Specifically, lower volumes for IT support services reduced sales by \$84 million, less demand for U.S. Special Operations Command IT support services lowered sales by \$81 million, and the drawdown of U.S. military forces in Iraq lowered sales by \$48 million.

NSS operating income for the 2012 Year-to-Date period decreased by \$20 million, or 26%, compared to the 2011 Year-to-Date period. Operating margin decreased by 70 basis points to 5.4%. Lower sales volume and lower contract profit rates on re-competitions of existing business decreased operating margins by 40 basis points, a \$4 million inventory write-down for security and safety equipment reduced operating margin by 40 basis points, and legal fees of \$3 million related to a supplier dispute reduced operating margins by 30 basis points. These decreases were partially offset by the timing of award fees for acquisition management and IT support services, which increased operating margin by 40 basis points.

Liquidity and Capital Resources

Anticipated Sources and Uses of Cash Flow

At September 28, 2012, we had total cash and cash equivalents of \$514 million as compared to \$764 million at December 31, 2011. While no amounts of the cash and cash equivalents are considered restricted, \$203 million was held by the Company's foreign subsidiaries at September 28, 2012. The repatriation of cash held in non-U.S. jurisdictions is subject to local capital requirements, as well as income tax considerations. Our primary source of liquidity is cash flow generated from operations. We generated \$692 million of cash from operating activities from continuing operations during the 2012 Year-to-Date Period. Significant cash used during the 2012 Year-to-Date Period included \$349 million for the KEO, MAVCO and Link U.K. business acquisitions, \$504 million to repurchase shares of our common stock, and \$149 million for dividends. Also, as discussed under "Overview and Outlook — Spin-off of Engility", L-3 received a cash contribution of \$335 million as a result of the spin-off, a portion of which was used to redeem \$250 million of the 2015 Notes.

As of September 28, 2012, we also had \$997 million of borrowings available under our \$1 billion Amended and Restated Revolving Credit Facility after reductions of \$3 million for outstanding letters of credit, subject to certain conditions. Our Amended and Restated Revolving Credit Facility expires on February 3, 2017. We currently believe that our cash from operating activities, together with our cash on hand, and available borrowings under our Amended and Restated Revolving Credit Facility will be adequate for the foreseeable future to meet our anticipated requirements for working capital, capital expenditures, defined benefit plan contributions, commitments, contingencies, research and development expenditures, business acquisitions (depending on the size), contingent purchase price payments on previous business acquisitions, program and other discretionary investments, interest payments, income tax payments, L-3 Holdings' dividends and share repurchases.

However, our business may not continue to generate cash flow at current levels. If we are unable to generate sufficient cash flow from operations to service our debt, we may be required to reduce costs and expenses, sell

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assets, reduce capital expenditures, reduce dividend payments, refinance all or a portion of our existing debt or obtain additional financing, which we may not be able to do on a timely basis, on satisfactory terms, or at all. Our ability to make scheduled principal payments or to pay interest on or to refinance our indebtedness depends on our future performance and financial results, which, to a certain extent, are subject to general conditions in or affecting the U.S. defense industry and to general economic, political, financial, competitive, legislative and regulatory factors beyond our control.

Balance Sheet

Billed receivables decreased by \$141 million to \$962 million at September 28 2012, from \$1,103 million at December 31, 2011 due to lower sales primarily for NSS, logistics support services, Warrior Systems and Marine & Power Systems, and the timing of billings and collections primarily for ISR systems and Simulation and Training. These decreases were partially offset by \$37 million of acquired billed receivables from the KEO, MAVCO and Link U.K. business acquisitions.

Contracts in process increased by \$488 million to \$2,839 million at September 28, 2012, from \$2,351 million at December 31, 2011. The increase included \$97 million of acquired contracts in process from the KEO and Link U.K. business acquisitions, \$6 million of foreign currency translation adjustments and \$385 million from:

- Increase of \$172 million in unbilled contract receivables primarily due to liquidation of progress payments for delivery of simulation & training devices and sales exceeding billings for networked communication systems and AM&M.
- Increase of \$213 million in inventoried contract costs primarily due to Australian C-27J aircraft, spare parts for logistics support services and the timing of deliveries for networked communication systems and Precision Engagement products.

L-3's receivables days sales outstanding (DSO) was 75 at September 28, 2012, compared with 73 at December 31, 2011 and 74 at September 30, 2011. The increase in DSO was primarily due to the increase in our net unbilled contract receivables. We calculate our DSO by dividing: (1) our aggregate end of period billed receivables and net unbilled contract receivables, by (2) our trailing 12 month sales adjusted, on a pro forma basis, to include sales from business acquisitions and exclude sales from business divestitures that we completed as of the end of the period, multiplied by the number of calendar days in the trailing 12 month period (364 days at September 28, 2012, 365 days at December 31, 2011 and 371 days at September 30, 2011). Our trailing 12 month pro forma sales were \$13,342 million at September 28, 2012, \$13,169 million at December 31, 2011 and \$13,315 million at September 30, 2011.

The increase in inventories was primarily due to higher inventory for Security and Detection Systems, Warrior Systems and Microwave Products to support customer demand.

Goodwill increased by \$233 million to \$7,705 million at September 28, 2012 from \$7,472 million at December 31, 2011. The table below presents the changes in goodwill by segment.

	Electronic Systems	C ³ ISR	AM&M (in millions)	NSS	Consolidated Total
Balance at December 31, 2011	\$ 4,471	\$ 866	\$ 1,169	\$ 966	\$ 7,472
Business acquisitions ⁽¹⁾	210	—	—	—	210
Foreign currency translation adjustments ⁽²⁾	12	—	10	1	23
Segment reclassification ⁽³⁾	69	(69)	—	—	—
Balance at September 28, 2012	<u>\$ 4,762</u>	<u>\$ 797</u>	<u>\$ 1,179</u>	<u>\$ 967</u>	<u>\$ 7,705</u>

⁽¹⁾ The increase in goodwill for the Electronic Systems segment is due to the KEO, MAVCO and Link U.K. business acquisitions. See Note 4 to our unaudited condensed consolidated financial statements contained in this quarterly report for further discussion regarding these acquisitions.

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- (2) The increases in goodwill presented in the Electronic Systems, AM&M and NSS segments were due primarily to the weakening of the U.S. dollar against the Euro, Canadian dollar and British pound during the year-to-date period ended September 28, 2012.
- (3) Effective January 1, 2012, we re-aligned a business unit's management and organizational structure, as discussed in Note 2 to our unaudited condensed consolidated financial statements, and made a reclassification of goodwill between the Electronic Systems and C³ISR segments during the quarter ended March 30, 2012.

The increase in identifiable intangible assets was due to the recognition of \$53 million of customer contractual relationships and technology intangibles due primarily to the KEO and Link U.K. business acquisitions, partially offset by amortization expense.

The fluctuations in accounts payable and accrued expenses were primarily due to the timing of when invoices for purchases from third party vendors and subcontractors were received and payments were made. The KEO, MAVCO and Link U.K. business acquisitions increased accounts payable by \$22 million and accrued expenses by \$11 million.

The increase in advance payments and billings in excess of costs incurred was primarily due to cash collections on performance based billings related to contracts with foreign customers for Platform Systems and Precision Engagement, and \$46 million of acquired balances from the KEO and Link U.K. business acquisitions.

The decrease in other current liabilities was primarily due to the costs incurred against contracts in process in a loss position and the payments of previously accrued legal settlements.

The decrease in pension and postretirement benefit plan liabilities was primarily due to cash contributions exceeding pension expense (excluding amortization of net losses) during the 2012 Year-to-Date Period. We expect to contribute cash of approximately \$174 million to our pension plans for all of 2012, of which \$138 million was contributed during the 2012 Year-to-Date Period.

Non-current deferred income tax liabilities increased primarily due to amortization of certain goodwill and other identifiable intangible assets for tax purposes.

The increase in other liabilities was primarily due to a note payable entered into during the 2012 Year-to-Date Period for the purchase of enterprise resource planning (ERP) software licenses and higher accrued product warranty costs.

Statement of Cash Flows

2012 Year-to-Date Period Compared with 2011 Year-to-Date Period

The table below provides a summary of our cash flows from operating, investing, and financing activities for the periods indicated.

	Year-to-Date Ended	
	September 28, 2012	September 30, 2011
	(in millions)	
Net cash from operating activities from continuing operations	\$ 692	\$ 749
Net cash used in investing activities from continuing operations	(137)	(133)
Net cash used in financing activities from continuing operations	(883)	(915)

Operating Activities — Continuing Operations

We generated \$692 million of cash from operating activities during the 2012 Year-to-Date, a decrease of \$57 million compared with \$749 million generated during the 2011 Year-to-Date Period. The decrease was due to: (1) a decrease in income from continuing operations of \$37 million, (2) lower non-cash expenses of \$8 million, and (3) \$12 million of more cash used for changes in operating assets and liabilities primarily due to higher income tax payments partially offset by lower interest payments. The net cash used for changes in operating assets and liabilities is further discussed above under "Liquidity and Capital Resources — Balance Sheet."

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Investing Activities — Continuing Operations

During the 2012 Year-to-Date Period, we used \$137 million of cash, including \$349 million primarily for the KEO, MAVCO and Link U.K. business acquisitions, and \$124 million for capital expenditures. The 2012 Year-to-Date Period includes the cash contribution of \$335 million that we received from Engility due to the spin-off.

Financing Activities — Continuing Operations

Debt

At September 28, 2012, total outstanding debt was \$3,878 million, of which \$2,940 million was senior debt and \$938 million was subordinated debt and CODES, compared to \$4,125 million at December 31, 2011, of which \$2,938 million was senior debt and \$1,187 million was subordinated debt and CODES. At September 28, 2012, available borrowings under our Amended and Restated Revolving Credit Facility were \$997 million, after reductions for outstanding letters of credit of \$3 million. There were no borrowings outstanding under our Amended and Restated Revolving Credit Facility at September 28, 2012. Our outstanding debt matures between October 15, 2015 and August 1, 2035. See Note 9 to our unaudited condensed consolidated financial statements contained in this quarterly report for the components of our debt at September 28, 2012.

2012 Debt Redemptions. On July 26, 2012 (the redemption date), L-3 Communications used a portion of the proceeds from the spin-off of Engility to redeem \$250 million of its 2015 Notes at a redemption price of 102.125%, plus accrued and unpaid interest, up to but not including the redemption date. In connection with the redemption of the 2015 Notes, we recorded a debt retirement charge of \$8 million (\$5 million after income taxes, or \$0.05 per diluted share).

On October 15, 2012 (the redemption date), L-3 Communications redeemed the remaining outstanding \$250 million of its 2015 Notes at a redemption price of 101.063%, plus accrued and unpaid interest up to but not including the redemption date. In connection with the redemption, we will record a debt retirement charge of approximately \$5 million (\$3 million after income tax, or \$0.03 per diluted share) in the quarter ending December 31, 2012.

Debt Covenants and Other Provisions. The Amended and Restated Revolving Credit Facility, senior notes and senior subordinated notes contain financial and/or other restrictive covenants. See Note 10 to our audited consolidated financial statements for the year ended December 31, 2011, included in our Annual Report on Form 10-K, for a description of our debt and related financial covenants, including dividend payment and share repurchase restrictions and cross default provisions. As of September 28, 2012, we were in compliance with our financial and other restrictive covenants.

Under select conditions, including if L-3 Holdings' common stock price is more than 120% (currently \$110.60) of the then current conversion price (currently \$92.17) for a specified period, the conversion feature of the CODES will require L-3 Holdings, upon conversion, to pay the holders of the CODES the principal amount in cash, and if the settlement amount exceeds the principal amount, the excess will be settled in cash or stock or a combination thereof, at our option. See Note 10 to our audited consolidated financial statements for the year ended December 31, 2011, included in our Annual Report on Form 10-K, for additional information regarding the CODES, including conditions for conversion. L-3 Holdings' closing stock price on November 2, 2012 was \$75.85 per share.

Guarantees. The borrowings under the Amended and Restated Revolving Credit Facility are fully and unconditionally guaranteed by L-3 Holdings and by substantially all of the material wholly-owned domestic subsidiaries of L-3 Communications on an unsecured senior basis. The payment of principal and premium, if any, and interest on the senior notes are fully and unconditionally guaranteed, on an unsecured senior basis, jointly and severally, by L-3 Communications' material wholly-owned domestic subsidiaries that guarantee any of its other indebtedness. The payment of principal and premium, if any, and interest on the senior subordinated notes are fully and unconditionally guaranteed, on an unsecured senior subordinated basis, jointly and severally, by L-3 Communications' wholly-owned domestic subsidiaries that guarantee any of its other indebtedness. The payment of principal and premium, if any, and interest on the CODES are fully and unconditionally guaranteed, on an unsecured senior subordinated basis, jointly and severally, by L-3 Communications and its wholly-owned domestic subsidiaries that guarantee any of its other liabilities.

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Prior to the spin-off of Engility Holdings, Inc., which was completed on July 17, 2012, Engility Holdings, Inc., Engility Corporation, International Resources Group Ltd. and LinCom Wireless, Inc. were guarantor subsidiaries. As a result of the spin-off, these entities no longer guarantee the debt of L-3 Communications or L-3 Holdings.

Subordination. The guarantees of the Amended and Restated Revolving Credit Facility and the senior notes rank senior to the guarantees of the senior subordinated notes and the CODES and rank pari passu with each other. The guarantees of the senior subordinated notes and CODES rank pari passu with each other and are junior to the guarantees of the Amended and Restated Revolving Credit Facility and senior notes.

Equity

Repurchases of L-3 Holdings common stock, under the share repurchase programs approved by the Board of Directors, are made from time to time at management's discretion in accordance with applicable U.S. federal securities laws in the open market or otherwise. The timing and actual number of shares to be repurchased in the future will depend on a variety of factors, including the Company's financial position, earnings, legal requirements, other investment opportunities (including acquisitions), market conditions and other factors. All share repurchases of L-3 Holdings' common stock have been recorded as treasury shares.

The table below presents our repurchases of L-3 Holdings common stock during the 2012 Year-to-Date Period.

	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Treasury Stock (at cost in millions)</u>
January 1 — March 30, 2012	1,991,467	\$ 69.45	\$ 138
March 31 — June 29, 2012	2,546,642	\$ 69.47	\$ 177
June 30 — September 28, 2012	2,679,735	\$ 70.46	\$ 189

At September 28, 2012, the remaining dollar value under the share repurchase program approved by L-3 Holdings' Board of Directors was \$630 million.

From September 29, 2012 through October 31, 2012, L-3 Holdings repurchased 1,019,790 of its common stock at an average price of \$73.06 per share for an aggregate amount of \$75 million.

During the 2012 Year-to-Date Period, L-3 Holdings' Board of Directors authorized the following quarterly cash dividends:

<u>Date Declared</u>	<u>Record Date</u>	<u>Cash Dividend Per Share</u>	<u>Date Paid</u>	<u>Total Dividends Paid (in millions)</u>
February 7, 2012	March 1, 2012	\$ 0.50	March 15, 2012	\$ 49
April 24, 2012	May 17, 2012	\$ 0.50	June 15, 2012	\$ 49
June 26, 2012	August 17, 2012	\$ 0.50	September 17, 2012	\$ 48

In addition to the dividends paid as shown in the table above, the Company also paid \$3 million of previously accrued dividends related to vested employee stock-based awards. On October 24, 2012, L-3 Holdings' Board of Directors declared a quarterly cash dividend of \$0.50 per share, payable on December 17, 2012, to shareholders of record at the close of business on November 19, 2012.

Legal Proceedings and Contingencies

For a discussion of legal proceedings and contingencies that could impact our results of operations, financial condition or cash flows, see Note 16 to our unaudited condensed consolidated financial statements contained in this quarterly report.

Forward-Looking Statements

Certain of the matters discussed concerning our operations, cash flows, financial position, economic performance and financial condition, including in particular, the likelihood of our success in developing and expanding our business and the realization of sales from backlog, include forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act.

Statements that are predictive in nature, that depend upon or refer to events or conditions or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates” and similar expressions are forward-looking statements. Although we believe that these statements are based upon reasonable assumptions, including projections of total sales growth, sales growth from business acquisitions, organic sales growth, consolidated operating margins, total segment operating margins, interest expense, earnings, cash flow, research and development costs, working capital, capital expenditures and other projections, they are subject to several risks and uncertainties, and therefore, it is possible that these statements may not be achieved. Such statements will also be influenced by factors which include, among other things:

- our dependence on the defense industry and the business risks peculiar to that industry, including changing priorities or reductions in annual DoD budgets and the outcome of potential additional reductions due to the sequestration process;
- backlog processing and program slips resulting from delayed funding of the DoD budget;
- our reliance on contracts with a limited number of agencies of, or contractors to, the U.S. Government and the possibility of termination of government contracts by unilateral government action or for failure to perform;
- the extensive legal and regulatory requirements surrounding our contracts with the U.S. or foreign governments and the results of any investigation of our contracts undertaken by the U.S. or foreign governments, including potential suspensions or debarments;
- our ability to retain our existing business and related contracts (revenue arrangements);
- our ability to successfully compete for and win new business and related contracts (revenue arrangements) and to win re-competitions of our existing contracts;
- our ability to identify and acquire additional businesses in the future with terms, including the purchase price, that are attractive to L-3 and to integrate acquired business operations;
- our ability to maintain and improve our consolidated operating margin and total segment operating margin in future periods;
- our ability to obtain future government contracts (revenue arrangements) on a timely basis;
- the availability of government funding and changes in customer requirements for our products and services;
- our significant amount of debt and the restrictions contained in our debt agreements;
- our ability to continue to retain and train our existing employees and to recruit and hire new qualified and skilled employees, as well as our ability to retain and hire employees with U.S. Government security clearances that are a prerequisite to compete for and to perform work on classified contracts for the U.S. Government;
- actual future interest rates, volatility and other assumptions used in the determination of pension benefits and equity-based compensation, as well as the market performance of benefit plan assets;
- our collective bargaining agreements, our ability to successfully negotiate contracts with labor unions and our ability to favorably resolve labor disputes should they arise;
- the business, economic and political conditions in the markets in which we operate, including those for the commercial aviation, shipbuilding and communications markets;
- global economic uncertainty;

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- the DoD’s contractor support services in-sourcing and efficiency initiatives;
- events beyond our control such as acts of terrorism;
- our ability to perform contracts (revenue arrangements) on schedule;
- our international operations, including sales to foreign customers;
- our extensive use of fixed-price type contracts as compared to cost-plus type and time-and-material type contracts;
- the rapid change of technology and high level of competition in the defense industry and the commercial industries in which our businesses participate;
- our introduction of new products into commercial markets or our investments in civil and commercial products or companies;
- the outcome of litigation matters, particularly in connection with jury trials;
- results of audits by U.S. Government agencies, including the Defense Contract Audit Agency, of our sell prices, costs and performance on contracts (revenue arrangements), and our accounting and general business practices;
- the impact on our business of improper conduct by our employees, agents, or business partners;
- anticipated cost savings from business acquisitions not fully realized or realized within the expected time frame;
- the outcome of matters relating to the Foreign Corrupt Practices Act (FCPA) and similar non-U.S. regulations;
- ultimate resolution of contingent matters, claims and investigations relating to acquired businesses, and the impact on the final purchase price allocations;
- significant increase in competitive pressure among companies in our industry; and
- the fair values of our assets, including identifiable intangible assets and the estimated fair value of the goodwill balances for our reporting units, which can be impaired or reduced by other factors, some of which are discussed above.

In addition, for a discussion of these and other risks and uncertainties that could impair our results of operations or financial condition, see “Part I — Item 1A — Risk Factors” and Note 19 to our audited consolidated financial statements, in each case included in our Annual Report on Form 10-K for the year ended December 31, 2011.

Readers of this document are cautioned that our forward-looking statements are not guarantees of future performance and the actual results or developments may differ materially from the expectations expressed in the forward-looking statements.

As for the forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainties of estimates, forecasts and projections and may be better or worse than projected and such differences could be material. Given these uncertainties, you should not place any reliance on these forward-looking statements. These forward-looking statements also represent our estimates and assumptions only as of the date that they were made. We expressly disclaim a duty to provide updates to these forward-looking statements, and the estimates and assumptions associated with them, after the date of this filing to reflect events or changes in circumstances or changes in expectations or the occurrence of anticipated events.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Derivative Financial Instruments,” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for a discussion of our exposure to market risks. There were no material changes to our disclosure about market risks during the 2012 Year-to-Date Period. See Notes 14 and 15 to our unaudited condensed consolidated financial statements contained in this quarterly report for the aggregate fair values and notional amounts of our foreign currency forward contracts at September 28, 2012.

ITEM 4.

CONTROLS AND PROCEDURES

Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934 related to L-3 Holdings and L-3 Communications is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chairman, President and Chief Executive Officer, and our Senior Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Chairman, President and Chief Executive Officer, and our Senior Vice President and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of September 28, 2012. Based upon that evaluation, our Chairman, President and Chief Executive Officer, and our Senior Vice President and Chief Financial Officer concluded that, as of September 28, 2012, the design and operation of our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 28, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

The information required with respect to this item can be found in Note 16 to our unaudited condensed consolidated financial statements contained in this quarterly report and is incorporated by reference into this Item 1.

ITEM 1A.

RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2011, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Overview and Outlook – Industry Considerations”, which could materially affect our business, financial condition or future results. Other than as described in “Industry Considerations”, there have been no material changes to the risk factors disclosed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2011. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2.**UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Issuer Purchases of Equity Securities**

The following table provides information about share repurchases made by L-3 Holdings of its common stock during the 2012 Third Quarter. Repurchases are made from time to time at management's discretion in accordance with applicable federal securities law. All share repurchases of L-3 Holdings' common stock have been recorded as treasury shares.

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (in millions)	Maximum Number (or Approximate Dollar Value) of Shares That May Yet be Purchased Under the Plans or Programs ⁽¹⁾
June 30 — July 31, 2012	274,625	\$ 69.16	274,625	\$ 800
August 1 — August 30, 2012	1,164,439	\$ 69.59	1,164,439	\$ 719
September 1 — September 28, 2012	<u>1,240,671</u>	\$ 71.57	<u>1,240,671</u>	\$ 630
Total	<u>2,679,735</u>	\$ 70.46	<u>2,679,735</u>	

⁽¹⁾ The share repurchases described in the table above were made pursuant to the \$1.5 billion share repurchase program authorized by L-3 Holdings' Board of Directors on April 26, 2011, which has a stated termination date of April 30, 2013.

ITEM 6.**EXHIBITS**

For a list of exhibits, see the Exhibit Index in this Form 10-Q.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

L-3 COMMUNICATIONS HOLDINGS, INC.

L-3 COMMUNICATIONS CORPORATION

By: /s/ Ralph G. D'Ambrosio

Title: Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: November 5, 2012

EXHIBIT INDEX

Exhibits identified in parentheses below are on file with the SEC and are incorporated herein by reference to such previous filings.

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
*2.1	Distribution Agreement between L-3 Communications Holdings, Inc. and Engility Holdings, Inc. dated as of July 16, 2012.
3.1	Certificate of Incorporation of L-3 Communications Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Registrants' Quarterly Report on Form 10-Q for the period ended June 30, 2002 (File Nos. 001-14141 and 333-46983)).
3.2	Amended and Restated By-Laws of L-3 Communications Holdings, Inc. (incorporated by reference to Exhibit 3(ii) to the Registrants' Current Report on Form 8-K filed on October 27, 2010 (File Nos. 001-14141 and 333-46983)).
3.3	Certificate of Incorporation of L-3 Communications Corporation (incorporated by reference to Exhibit 3.1 to L-3 Communications Corporation's Registration Statement on Form S-4 (File No. 333-31649)).
3.4	Amended and Restated Bylaws of L-3 Communications Corporation (incorporated by reference to Exhibit 3.2 to the Registrants' Current Report on Form 8-K filed on December 17, 2007 (File Nos. 001-14141 and 333-46983)).
4.1	Form of Common Stock Certificate of L-3 Communications Holdings, Inc. (incorporated by reference to Exhibit 4.1 to the Registrants' Quarterly Report on Form 10-Q for the quarter ended June 25, 2010 (File Nos. 001-14141 and 333-46983)).
4.2	Amended and Restated Credit Agreement, dated as of February 3, 2012, among L-3 Communications Corporation, L-3 Communications Holdings, Inc. and certain subsidiaries of the Registrants from time to time party thereto as guarantors, certain lenders from time to time party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Registrants' Current Report on Form 8-K dated February 3, 2012 (File Nos. 001-14141 and 333-46983)).
4.3	Indenture dated as of July 29, 2005 (Notes Indenture) among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon (formerly known as The Bank of New York), as Trustee (incorporated by reference to Exhibit 10.69 to the Registrants' Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File Nos. 001-14141 and 333-46983)).
4.4	Supplemental Indenture dated as of February 3, 2012 among L-3 Communications Corporation, The Bank of New York Mellon (formerly known as The Bank of New York), as trustee, and the guarantors named therein to the Notes Indenture dated as of July 29, 2005 among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.3 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 2011 (File Nos. 001-14141 and 333-46983)).
4.5	Indenture dated as of July 29, 2005 (CODES Indenture) among L-3 Communications Holdings, Inc., the guarantors named therein and The Bank of New York Mellon (formerly known as The Bank of New York), as Trustee (incorporated by reference to Exhibit 10.70 to the Registrants' Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (File Nos. 001-14141 and 333-46983)).
4.6	Supplemental Indenture dated as of February 3, 2012 among L-3 Communications Holdings, Inc., The Bank of New York Mellon (formerly known as The Bank of New York), as trustee, and the guarantors named therein to the CODES Indenture dated as of July 29, 2005 among L-3 Communications Holdings, Inc., the guarantors named therein and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.5 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 2011 (File Nos. 001-14141 and 333-46983)).

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<u>Exhibit No.</u>	<u>Description of Exhibits</u>
4.7	Indenture dated as of October 2, 2009 among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.15 to the Registrants' Quarterly Report on Form 10-Q for the quarter ended September 25, 2009 (File Nos. 001-14141 and 333-46983)).
4.8	Supplemental Indenture dated as of February 3, 2012 among L-3 Communications Corporation, The Bank of New York Mellon, as trustee, and the guarantors named therein to the Indenture dated as of October 2, 2009 among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.7 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 2011 (File Nos. 001-14141 and 333-46983)).
4.9	Indenture, dated as of May 21, 2010, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to the Registrants' Current Report on Form 8-K dated May 24, 2010 (File Nos. 001-14141 and 333-46983)).
4.10	First Supplemental Indenture, dated as of May 21, 2010, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to the Registrants' Current Report on Form 8-K dated May 24, 2010 (File Nos. 001-14141 and 333-46983)).
4.11	Second Supplemental Indenture, dated as of February 7, 2011, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to the Registrants' Current Report on Form 8-K dated February 8, 2011 (File Nos. 001-14141 and 333-46983)).
4.12	Third Supplemental Indenture, dated as of November 22, 2011, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to the Registrants' Current Report on Form 8-K dated November 22, 2011 (File Nos. 001-14141 and 333-46983)).
4.13	Fourth Supplemental Indenture, dated as of February 3, 2012, among L-3 Communications Corporation, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.12 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 2011 (File Nos. 001-14141 and 333-46983)).
*10.1	Employee Matters Agreement between L-3 Communications Corporation and Engility Corporation dated as of July 16, 2012.
*10.2	Tax Matters Agreement between L-3 Communications Holdings, Inc. and Engility Holdings, Inc. dated as of July 16, 2012.
*10.3	Transition Services Agreement between L-3 Communications Corporation and Engility Corporation dated as of July 16, 2012.
*+10.4	Master Supply Agreement between L-3 Communications Corporation (as Seller) and Engility Corporation (as Buyer) dated as of July 16, 2012.
*+10.5	Master Supply Agreement between L-3 Communications Corporation (as Buyer) and Engility Corporation (as Seller) dated as of July 16, 2012.
10.6	Retirement Agreement and General Release between Electronic Systems Group, L-3 Communications Corporation and L-3 Communications Holdings, Inc. and James W. Dunn (incorporated by reference to Exhibit 10.1 to the Registrants' Current Report on Form 8-K filed on June 13, 2012 (File Nos. 001-14141 and 333-46983)).

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<u>Exhibit No.</u>	<u>Description of Exhibits</u>
**11	L-3 Communications Holdings, Inc. Computation of Basic Earnings Per Share and Diluted Earnings Per Common Share.
*12	Ratio of Earnings to Fixed Charges.
*31.1	Certification of Chairman, President and Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
*31.2	Certification of Senior Vice President and Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
*32	Section 1350 Certification
***101.INS	XBRL Instance Document
***101.SCH	XBRL Taxonomy Extension Schema Document
***101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
***101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
***101.LAB	XBRL Taxonomy Extension Label Linkbase Document
***101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Filed herewith.
**	The information required in this exhibit is presented in Note 11 to the unaudited condensed consolidated financial statements as of September 28, 2012 in accordance with the provisions of ASC 260, <i>Earnings Per Share</i> .
***	Furnished electronically with this report.
+	Pursuant to a request for confidential treatment, portions of these exhibits have been redacted from the publicly filed document and have been furnished separately to the Securities and Exchange Commission as required by Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

DISTRIBUTION AGREEMENT

between

L-3 COMMUNICATIONS HOLDINGS, INC.

and

ENGLITY HOLDINGS, INC.

Dated as of July 16, 2012

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DISTRIBUTION AGREEMENT

DISTRIBUTION AGREEMENT (this "Agreement"), dated as of July 16, 2012, between L-3 Communications Holdings, Inc., a Delaware corporation ("L-3"), and Engility Holdings, Inc., a Delaware corporation ("Spinco" and, together with L-3, the "Parties", and each individually, a "Party").

RECITALS

WHEREAS, Spinco is an indirect wholly owned subsidiary of L-3 which, after giving effect to the transactions contemplated by Section 2.01, will hold title to the stock of certain L-3 subsidiaries, the assets and liabilities of which consist principally of two business segments: the Professional Support Services segment, providing Systems Engineering and Technical Assistance (SETA) services, program management support and software engineering lifecycle sustainment and support services, and the Mission Support Services segment, providing capabilities such as defense related training, education and support services, law enforcement training, national security infrastructure and institutional development;

WHEREAS, the Board of Directors of L-3 has determined that it is in the best interests of L-3 and its shareholders to enter into a series of transactions after giving effect to which Spinco and/or one or more of its subsidiaries will, collectively, own all of the Spinco Assets (as defined herein) and assume (or retain) all of the Spinco Liabilities (as defined herein);

WHEREAS, the Board of Directors of L-3 has further determined that it is in the best interests of L-3 and its shareholders to make a distribution (the "Distribution") to the holders of L-3 Common Stock (as defined herein) of all of the outstanding shares of Spinco Common Stock at the rate of one share of Spinco Common Stock for every six shares of L-3 Common Stock outstanding as of the Record Date (as defined herein);

WHEREAS, it is the intention of the Parties that the Distribution qualifies under Section 355 of the Code (as defined herein); and

WHEREAS, the Parties have determined that it is necessary and desirable to set forth the principal corporate transactions required to effect the Distribution and to set forth other agreements that will govern certain other matters following the Distribution.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements and covenants contained in this Agreement and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions. As used herein, the following terms have the following meaning:

"Action" means any claim, suit, countersuit, arbitration, inquiry, subpoena, case, litigation, proceeding or investigation (whether civil, criminal, administrative or investigative) by or before any court or grand jury, Governmental Entity or any other tribunal.

"Affiliate" means, when used with respect to a specified Person, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified Person. For purposes of this definition, "control", when used with respect to any specified Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract or otherwise.

“Air Force Agreement” means that certain administrative agreement entered into by L-3 Corp and the U.S. Air Force, dated as of July 27, 2010.

“Amended Financial Report” is defined in Section 4.06(c).

“Ancillary Agreements” means all of the written agreements, instruments, understandings, assignments and other arrangements (other than this Agreement) entered into in connection with the transactions contemplated hereby, including the Employee Matters Agreement, the Tax Matters Agreement, the Transition Services Agreement, the Master Supply Agreements and other documents relating to the transfer of Assets and Liabilities in contemplation of the Distribution.

“Applicable Rate” means the Prime Rate plus 2.0% per annum.

“Assets” means all assets, properties, rights (including Intellectual Property), contracts, leases, claims and other rights (including goodwill), of every kind, character and description, wherever located (including in the possession of vendor or other third parties or elsewhere), whether tangible, intangible or contingent, and whether real, personal or mixed. Except as otherwise specifically set forth herein, the right and obligations of the Parties with respect to Taxes shall be governed by the Tax Matters Agreement and, therefore, Taxes shall not be treated as Assets.

“Audited Party” is defined in Section 4.06(a)(iii).

“Business Day” means any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by Law to be closed in The City of New York.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Commission” means the United States Securities and Exchange Commission.

“Confidential Information” means all non-public, confidential or proprietary Information of or concerning a Party and/or its subsidiaries or their respective past, current or future activities, businesses, finances, assets, liabilities or operations, which, prior to or following the Effective Time pursuant to this Agreement or any Ancillary Agreement, has been disclosed by a Party or its subsidiaries to the other Party or its subsidiaries, in written, oral (including by recording), electronic or visual form, or otherwise has come into the possession of the other Party or its subsidiaries (except to the extent that such information can be shown to have been (a) in the public domain through no action of such other Party or its subsidiaries, (b) lawfully acquired from other sources by such other Party or its subsidiaries to which it was furnished or (c) independently developed by such other Party or its subsidiaries; provided, in the case of clause (b), that to the furnished Party’s knowledge, such sources did not provide such information in breach of any confidentiality obligations).

“Consent Agreement” means the Consent Agreement between the U.S. Department of State and L-3 Corp, Case 06-0000284, entered into on October 18, 2006, generally regarding failure to report fees and commissions under 22 CFR Part 130, officially closed December 9, 2009.

“Contract Party” is defined in Section 2.08(d).

“Copyrights” means copyrights and copyrightable subject matter, including software, code, algorithms, databases, compilations, and documentation.

“Distribution” is defined in the recitals to this Agreement.

“Distribution Agent” means Computershare Trust Company, N.A., in its capacity as agent for L-3 in connection with the Distribution.

“Distribution Date” means the date upon which the Distribution shall be effective, as determined by the Board of Directors of L-3, or such committee of such Board of Directors as shall be designated by the Board of Directors of L-3.

“Effective Time” means 5:00 p.m., New York time, on the Distribution Date.

“Employee Matters Agreement” means the Employee Matters Agreement, substantially in the form of Exhibit A hereto, entered into at or prior to the Effective Time between L-3 Corp and Engility Corporation.

“Engility Corporation” means Engility Corporation, a Delaware corporation (formerly known as L-3 Services, Inc.).

“Exchange Act” means the United States Securities Exchange Act of 1934.

“Force Majeure” means, with respect to a Party, an event beyond the reasonable control of such Party (or any Person acting on its behalf), which by its nature could not have been foreseen by such Party (or such Person), or, if it could have been foreseen, was unavoidable, and includes acts of God, storms, floods, earthquakes, hurricanes, riots, pandemics, fires, sabotage, strikes, lockouts, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities or other national or international calamity or one or more acts of terrorism.

“Form 10” means the registration statement on Form 10 filed by Spinco with the Commission to effect the registration of the Spinco Common Stock pursuant to the Exchange Act, as such registration statement may be amended from time to time.

“Governmental Entity” means any nation or government, any state, municipality or other political subdivision thereof and any entity, body, agency, commission, department, board, bureau or court, whether domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any executive official thereof.

“Group” means the L-3 Group or the Spinco Group, as the context so requires.

“Group Employee” is defined in Section 4.04.

“Guaranteed L-3 Liabilities” means the L-3 Liabilities on which any member of the Spinco Group is an obligor by reason of any guarantee or contractual commitment (including letters of credit, surety bonds and similar instruments), including Liabilities under any contract assumed by any member of the L-3 Group from any member of the Spinco Group with respect to which any member of the Spinco Group remains liable, and including but not limited to the guarantees set forth on Schedule 4.02(b).

“Guaranteed Spinco Liabilities” means the Spinco Liabilities on which any member of the L-3 Group is an obligor by reason of any guarantee or contractual commitment (including letters of credit,

surety bonds and similar instruments), including Liabilities under any contract assumed by any member of the Spinco Group from any member of the L-3 Group with respect to which any member of the L-3 Group remains liable, and including but not limited to the guarantees set forth on Schedule 4.02(a).

“Indebtedness” means (i) any indebtedness for borrowed money or the deferred purchase price of property as evidenced by a note, bonds or other instruments, (ii) obligations as lessee under capital leases, (iii) obligations secured by any mortgage, pledge, security interest, encumbrance, lien or charge of any kind existing on any asset owned or held by any Person, whether or not such Person has assumed or becomes liable for the obligations secured thereby, (iv) any obligation under any interest rate swap agreement, (v) accounts payable, (vi) reimbursement obligations with respect to surety and performance bonds or letters of credit, (vii) all interest, fees and other expenses owed with respect to indebtedness described in foregoing clauses (i) through (vi) above, and (viii) without duplication, obligations under direct or indirect guarantees of (including obligations, contingent or otherwise, to assure a creditor against loss in respect of) indebtedness or obligations of the kinds referred to in clauses (i) through (vii) above.

“Indemnifiable Loss” means any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest, costs and expenses (including, without limitation, reasonable expenses of investigation and reasonable attorneys’ fees and expenses) in connection with any and all Actions or threatened Actions.

“Indemnified Party” is defined in Section 6.07.

“Indemnifying Party” is defined in Section 6.07.

“Indemnity Payment” is defined in Section 6.06(a).

“Information” means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including (i) studies, reports, books and records, whether accounting, legal or otherwise, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other Software, marketing plans, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product) and communications and materials otherwise related to or made or prepared in connection with or in preparation for any legal proceeding and (ii) financial and business information, including earnings reports and forecasts, macro-economic reports and forecasts, business and strategic plans, general market evaluations and surveys, budgets, financing and credit-related information, quality assurance policies, procedures and specifications and customer information and other technical, financial, employee or business information or data.

“Information Statement” means the information statement required by the Commission to be sent to each holder of L-3 Common Stock in connection with the Distribution, and prepared in accordance with the Exchange Act.

“Insurance Administration” means, with respect to each Third Party Policy: (i) the accounting for premiums, retrospectively-rated premiums, defense costs, indemnity payments, deductibles and self-insured retentions, as appropriate, under the terms and conditions of such Third Party Policy; (ii) the reporting to the relevant unaffiliated, third-party insurer that issues such Third Party Policy of any losses or claims which may be covered by such Third Party Policy; (iii) the administration of claims made under the Third Party Policies, including the management and defense of such claims, negotiating the resolution of such claims and providing for appropriate releases upon settlement of such claims; and (iv) the distribution of Insurance Proceeds related to such Third Party Policy, subject to the terms of Section 4.03.

“Insurance Proceeds” means those monies (i) received by an insured from an unaffiliated third-party insurer under any Third Party Policy or (ii) paid by such third-party insurer on behalf of an insured under any Third Party Policy, in either case net of any applicable premium adjustment, retrospectively-rated premium, deductible, self-insured retentions or cost of reserve paid or held by or for the benefit of such insured.

“Insured Claims” means those Liabilities that, individually or in the aggregate, are covered within the terms and conditions of any of the Third Party Policies, whether or not subject to deductibles, co-insurance, uncollectibility or retrospectively-rated premium adjustments.

“Intellectual Property” means all intellectual property and industrial property rights of any kind or nature, including all United States and foreign (i) Patents, (ii) Trademarks, (iii) works of authorship and copyrights, whether statutory or common law, registered or unregistered and published or unpublished, (iv) rights of publicity, (v) moral rights and rights of attribution and integrity, (vi) Software, (vii) trade secrets and all other confidential or proprietary information, know-how, inventions, improvements, proprietary processes, formulae, models and methodologies, (viii) rights to personal information, (ix) domain names, (x) rights, priorities and privileges arising under applicable Law in the foregoing and in other similar intangible assets, (xi) applications, registrations and renewals for the foregoing and (xii) rights and remedies against past, present and future infringement, misappropriation or other violation of the foregoing.

“Intercompany Accounts” means any receivable, payable or loan between any member of the L-3 Group, on the one hand, and any member of the Spinco Group, on the other hand, that exists prior to the Effective Time and is reflected in the Records of the relevant members of the L-3 Group and the Spinco Group, except for any such receivable, payable or loan that arises pursuant to this Agreement or any Ancillary Agreement.

“Internal Control Audit and Management Assessments” is defined in Section 4.06(a)(i).

“IRS” means the United States Internal Revenue Service.

“Joint Action” means any current or future Action with respect to which it is unclear at the onset of such Action whether Liabilities will arise primarily in connection with the Spinco Business or the L-3 Business, including any of the Actions listed on Schedule 5.01(e).

“L-3” is defined in the Preamble to this Agreement.

“L-3 Accounts” is defined in Section 4.01(a).

“L-3 Action” means any current or future Action that does not relate primarily to the Spinco Business and in which one or more members of the Spinco Group is a defendant or the party against whom any claim or investigation is directed, including any of the Actions listed on Schedule 5.01(b), but excluding any Joint Action.

“L-3 Assets” means:

- (a) the capital stock or other equity interests, as applicable, of each member of the L-3 Group;

(b) the capital stock or other equity interests, as applicable, of the entities listed on Schedule 1.01(a);

(c) the Security Solutions Group

(d) (i) the technology commonly known as "License Sanction Enforcement System" (LSES), including Patent No. US 7,209,808; (ii) the software commonly known as INGIA and all related documentation; (iii) the technology commonly known as C4N and all related software and documentation; (iv) all Intellectual Property relating to any of the foregoing; and (v) all physical and tangible materials embodying the foregoing; and

(e) except as otherwise provided in an Ancillary Agreement, all Assets of any member of the L-3 Group or the Spinco Group that are not Spinco Assets.

"L-3 Business" means the business now or formerly conducted by L-3 and its present and former Affiliates, other than the Spinco Business.

"L-3 Common Stock" means the outstanding shares of common stock, \$0.01 par value per share, of L-3.

"L-3 Corp" means L-3 Communications Corporation, a Delaware corporation and a wholly owned subsidiary of L-3.

"L-3 Group" means L-3 and its Affiliates, excluding any member of the Spinco Group.

"L-3 Indemnitees" is defined in Section 6.02.

"L-3 Liabilities" means (i) Liabilities of any member of the L-3 Group under this Agreement or any Ancillary Agreement, (ii) Liabilities of the Security Solutions Group and (iii) any other Liabilities of any member of the Spinco Group or the L-3 Group, whether arising before, at, or after the Effective Time, that do not constitute Spinco Liabilities. For the avoidance of doubt, no Liability shall be an L-3 Liability solely as a result of L-3 or any other member of the L-3 Group being named as a party to, or in, any Action.

"Law" means any United States or non-United States federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, income tax treaty, order, requirement or rule of law (including common law).

"Liabilities" means any and all claims, debts, liabilities and obligations, absolute or contingent, matured or not matured, reserved or unreserved, determined or determinable, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, including all costs and expenses relating thereto, and including, without limitation, those debts, liabilities and obligations arising under this Agreement or any Ancillary Agreement, any Law, rule, regulation, action, whether asserted or unasserted, order or consent decree of any governmental entity or any award of any arbitrator of any kind, and those arising under any contract, commitment or undertaking. Except as otherwise specifically set forth herein, the rights and obligations of the Parties with respect to Taxes shall be governed by the Tax Matters Agreement and, therefore, Taxes shall not be treated as Liabilities.

"Liable Party" is defined in Section 2.07(b).

“Master Supply Agreements” mean the Master Supply Agreements, substantially in the form of Exhibit D hereto, entered into at or prior to the Effective Time between L-3 Corp and Engility Corporation.

“Novation Party” is defined in Section 2.08(d).

“NYSE” means the New York Stock Exchange.

“Other Party” is defined in Section 2.07(a).

“Other Party’s Auditors” is defined in Section 4.06(a)(iii).

“Other Party’s Marks” is defined in Section 4.05(a).

“Party” is defined in the Preamble to this Agreement.

“Patents” means all U.S. and foreign patents, patent applications, patent disclosures and all related continuations, continuations-in-part, divisional, reissues, re-examinations, substitutions and extensions thereof.

“Person” means any natural person, firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership or other organization or entity, whether incorporated or unincorporated, or any Governmental Entity.

“Policies” means insurance policies and insurance agreements or arrangements of any kind (other than life and benefits policies, agreements or arrangements), including primary, excess and umbrella policies, comprehensive general liability policies, director and officer liability, fiduciary liability, automobile, aircraft, property and casualty, business interruption, workers’ compensation and employee dishonesty insurance policies, bonds and self-insurance company arrangements, together with the rights, benefits and privileges thereunder.

“Prime Rate” means the rate of interest announced by Bloomberg from time to time as the “prime rate,” “prime lending rate,” “base rate” or similar reference rate. In the event the Prime Rate is discontinued as a standard, the Parties shall designate a comparable reference rate as a substitute therefor. For purposes hereof, the Prime Rate as published by Bloomberg at www.Bloomberg.com under “Market Data: Rates & Bonds: Key Rates” at the close of business on each Business Day shall be the Prime Rate for that day and any immediately succeeding non-Business Day or Days.

“Record Date” means the date designated by or under the authority of L-3’s Board of Directors as the record date for determining the shareholders of L-3 entitled to receive the Distribution.

“Records” means any Information, agreements, documents, books, records or files.

“Securities Act” means the United States Securities Act of 1933.

“Security Solutions Group” means the Security Solutions Group business unit of the Government Services segment of Engility Corporation.

“Settlement Agreements” means the following Settlement Agreements in connection with Titan Corporation:

(a) Titan Plea Agreement with U.S. Department of Justice and Office of U.S. Attorney for the Southern District of California, dated as of March 1, 2005, with the Case Number 05cr0314-BEN (S.D. Cal.); and

(b) Titan Consent Decree with the Commission, dated as of March 1, 2005.

“Software” means all computer programs (whether in source code, object code or other form), algorithms, databases, compilations and data, and technology supporting the foregoing, and all documentation, including flowcharts and other logic and design diagrams, technical, functional and other specifications and user and training materials related to any of the foregoing.

“Spinco” is defined in the Preamble to this Agreement.

“Spinco Accounts” is defined in Section 4.01(a).

“Spinco Action” means any current or future Action relating primarily to the Spinco Business in which one or more members of the L-3 Group is a defendant or the party against whom a claim or investigation is directed, including any of the Actions listed on Schedule 5.01(a), but excluding any Joint Action.

“Spinco Articles” means the articles of incorporation of Spinco in the form filed as an exhibit to the Form 10 at the time it becomes effective.

“Spinco Assets” means:

(a) the capital stock or other equity interests, as applicable, of each member of the Spinco Group;

(b) the Spinco Contracts;

(c) except as otherwise provided in this Agreement or an Ancillary Agreement, all Assets that are (i) owned of record or held in the name of a member of the Spinco Group on the Distribution Date, (ii) treated for internal financial reporting purposes of L-3 prior to the Distribution Date or on the Spinco Business Balance Sheet (excluding Assets of the Security Solutions Group) as owned by a member of the Spinco Group, (iii) prior to and on the Distribution Date, used exclusively by one or more members of the Spinco Group or (iv) transferred to a member of the Spinco Group pursuant to any Ancillary Agreement; and

(d) the Spinco Patent, Spinco Trademarks, and the Spinco Copyrights.

Notwithstanding the foregoing, the Spinco Assets shall in any event not include any Assets that are expressly contemplated by this Agreement or any Ancillary Agreement (or the schedules hereto or thereto) as Assets to be retained or assumed by (or transferred to) any member of the L-3 Group. Additionally, the Spinco Assets shall not include any Intellectual Property other than the Spinco Patent and Spinco Trademarks.

“Spinco Business” means the business and operations conducted by the Spinco Group as of the Distribution Date, as such business and operations are described in the Information Statement.

“Spinco Business Balance Sheet” means the unaudited combined balance sheet of the Spinco Group, including the notes thereto, as of March 30, 2012, as set forth in the Information Statement.

“Spinco Bylaws” means the bylaws of Spinco in the form filed as an exhibit to the Form 10 at the time it becomes effective.

“Spinco Common Stock” means the outstanding shares of common stock, \$.01 par value per share, of Spinco.

“Spinco Contracts” means the following agreements or arrangements to which L-3 or any of its Affiliates is a party or by which it or any of its Affiliates or any of their respective Assets is bound, except for any such agreement or arrangement or part thereof that is (i) expressly contemplated not to be transferred or assigned by any member of the L-3 Group to any member of the Spinco Group or (ii) expressly contemplated to be transferred or assigned to (or remain with) any member of the L-3 Group, in each case, pursuant to any provision of this Agreement or any Ancillary Agreement:

- (a) any agreement or arrangement entered into in the name of, or expressly on behalf of, any division, business unit or member of the Spinco Group (except for any such agreement or arrangement or part thereof primarily relating to the L-3 Group or L-3 Assets, which was entered into by a member of the Spinco Group on behalf a member of the L-3 Group or a business or division thereof included in the L-3 Assets);
- (b) any agreement or arrangement that relates primarily to the Spinco Business;
- (c) any agreement or arrangement representing capital or lease obligations of facilities or equipment primarily used by any member of the Spinco Group;
- (d) any agreement or arrangement or part thereof that is otherwise expressly contemplated pursuant to this Agreement or any of the Ancillary Agreements to be retained by, transferred or assigned to, any member of the Spinco Group;
- (e) any guarantee, indemnity, representation or warranty of any member of the Spinco Group relating to, arising out of or resulting from the Spinco Business; and
- (f) the agreements or arrangements listed or described on Schedule 1.01(b).

“Spinco Copyrights” means the Copyrights described on Schedule 1.01(c).

“Spinco Group” means Spinco, Engility Corporation and the other Persons listed on Schedule 1.01(d).

“Spinco Indemnitee” is defined in Section 6.03.

“Spinco Liabilities” means:

- (a) the Liabilities listed or described on Schedule 1.01(e) and any and all Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement as Liabilities to be retained, assumed or retired by any member of the Spinco Group;
- (b) any and all Liabilities of L-3, Spinco, or any of their respective Affiliates, primarily relating to, arising out of or resulting from:
 - (i) the operation or conduct of the Spinco Business, or the ownership or use of the Spinco Assets, as conducted at any time prior to, on or after the Effective Time

(including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative of L-3, Spinco, or any of their respective Affiliates (whether or not such act or failure to act is or was within such Person's authority)); or

(ii) the operation or conduct of any business conducted by any member of the Spinco Group at any time on or after the Effective Time (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative of Spinco, or any of its Affiliates after the Effective Time (whether or not such act or failure to act is or was within such Person's authority));

(c) except as otherwise expressly provided in this Agreement or any Ancillary Agreement, Liabilities set forth on the Spinco Business Balance Sheet (excluding Liabilities of the Security Solutions Group);

(d) any and all Liabilities to the extent relating to, arising out of or resulting from any terminated, sold, discontinued or divested entity, business, real property or Asset formerly and primarily owned or managed by, or associated with, any member of the Spinco Group or the Spinco Business, or arising out of the sale thereof;

(e) any Liabilities relating to or arising out of the acquisition (whether through an acquisition of stock or assets or a merger, share exchange or other form of business combination) of any business prior to the Effective Time by any member of the Spinco Group;

(f) Liabilities arising under or in connection with the Form 10, except to the extent such Liabilities arise out of or are based upon information about L-3 included in the sections of the Information Statement entitled "Summary—Summary of the Spin-Off" and "The Spin-Off—Reasons for the Spin-Off";

(g) any and all Liabilities, including those Liabilities listed on Schedule 1.01(f), relating to, arising out of or resulting from any Indebtedness (including debt securities and asset-backed debt) of any member of the Spinco Group (whether incurred prior to, on or after the Effective Time);

(h) any and all Liabilities of any member of the L-3 Group under the Guaranteed Spinco Liabilities;

(i) any and all Liabilities relating to, resulting from, or arising out of any Action that is primarily related to the Spinco Business, including any Spinco Action, whether arising prior to, on or after the Effective Time;

(j) any and all obligations of an insured Person under each Third Party Spinco Policy and each Third Party Policy to the extent related to or arising out of the Spinco Business and

(k) any and all Liabilities relating primarily to, arising primarily out of or resulting primarily from, a workers compensation claim brought by or on behalf of an employee employed at any time in the Spinco Business, except in the case where such employee was employed in the L-3 Business subsequent to such employee's final employment in the Spinco Business, in which case the Liability shall be retained by L-3.

Notwithstanding the foregoing, the Spinco Liabilities shall in any event not include any Liabilities expressly contemplated by this Agreement or any Ancillary Agreement (or the schedules hereto or thereto) as Liabilities to be retained or assumed by any member of the L-3 Group. For the avoidance of doubt, no Liability shall be a Spinco Liability solely as a result of Spinco or any other member of the Spinco Group being named as a party to, or in, any Action.

“Spinco Patent” means those Patents listed in Schedule 1.01(g).

“Spinco Trademarks” means those Trademarks listed in Schedule 1.01(h).

“Tax” shall have the meaning given to such term in the Tax Matters Agreement.

“Tax Matters Agreement” means the Tax Matters Agreement, substantially in the form of Exhibit B hereto, entered into at or before the Effective Time between L-3 and Spinco.

“Third Party Claim” means a claim or demand made against an L-3 Indemnitee or a Spinco Indemnitee by any Person who is not a Party or an Affiliate of a Party as to which such L-3 Indemnitee or Spinco Indemnitee, as applicable, is or may be entitled to indemnification pursuant to this Agreement.

“Third Party Spinco Policies” means all Policies, whether or not in force on the Effective Time, issued by unaffiliated third-party insurers to L-3, Spinco or any of their respective Affiliates that cover risks that relate exclusively to the Spinco Business.

“Third Party Policies” means all Policies, whether or not in force on the Effective Time, issued by unaffiliated third-party insurers to L-3, Spinco or any of their respective Affiliates that cover risks that relate to both the L-3 Business and the Spinco Business.

“Third Party Proceeds” is defined in Section 6.06(a).

“Trademarks” means all trademarks, service marks, corporate names, trade names, domain names, logos, slogans, designs, trade dress and other similar identifiers of source or origin, whether registered or unregistered, together with the goodwill connected with the use of and symbolized by any of the foregoing.

“Transferring Party” is defined in Section 13.05(a).

“Transition Services Agreement” means the Transition Services Agreement, substantially in the form of Exhibit C hereto, entered into at or prior to the Effective Time between L-3 Corp and Engility Corporation.

Section 1.02 Certain References. Whenever used in this Agreement, the words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation”, and the words “hereof” and “herein” and similar words shall be construed as references to this Agreement as a whole and not limited to the particular Article, Section, Exhibit or Schedule in which the reference appears. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Exhibits and Schedules mean the Articles and Sections of, and Exhibits and Schedules attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. Any reference in this Agreement to any gender shall include all genders. The meanings of defined terms are equally applicable to the singular and

plural forms of the defined terms. The Exhibits and Schedules referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein. The headings of the Articles and Sections are for convenience of reference only and do not affect the interpretation of any of the provisions hereof.

ARTICLE II
REORGANIZATION; CONVEYANCE OF CERTAIN ASSETS;
ASSUMPTION OF CERTAIN LIABILITIES;
CERTAIN PAYMENTS; AND TRANSITION ARRANGEMENTS

Section 2.01 Reorganization. At or prior to the Effective Time, to the extent not already completed, L-3 will take such steps (which may include transfers of shares or other equity interests, formation of new entities and/or declarations of dividends) as may be necessary or desirable to cause Spinco to directly or indirectly own the members of the Spinco Group (other than Spinco), including the steps set forth on Schedule 2.01.

Section 2.02 Conveyance of Assets; Discharge of Liabilities. Except as otherwise expressly provided herein or in any of the Ancillary Agreements:

(a) Effective as of the Effective Time (i) all Spinco Assets are intended to be and shall become Assets of the Spinco Group, (ii) all Spinco Liabilities are intended to be and shall become the Liabilities of the Spinco Group and (iii) all other Assets and Liabilities of L-3 and its subsidiaries are intended to be and shall remain exclusively the Assets and Liabilities of the L-3 Group.

(b) Effective as of the Effective Time, L-3 agrees to transfer or cause to be transferred to Spinco or to such other members of the Spinco Group as Spinco may designate all right, title and interest of the L-3 Group in and to all of the Spinco Assets.

(c) Spinco agrees that, effective as of the Effective Time, it will transfer or cause to be transferred to L-3 or to such other member of the L-3 Group as L-3 may designate all right, title and interest of the Spinco Group in and to all Assets that are not Spinco Assets.

(d) Spinco agrees that it will, or will cause another member of the Spinco Group designated by Spinco to (i) assume any of the Spinco Liabilities for which a member of the Spinco Group is not the obligor, effective as of the Effective Time, and (ii) timely pay and discharge all of the Spinco Liabilities, at and after the Effective Time.

(e) L-3 agrees that it will, or will cause another member of the L-3 Group designated by L-3 to (i) assume any of the L-3 Liabilities for which a member of the L-3 Group is not the obligor, effective as of the Effective Time, and (ii) timely pay and discharge all of the L-3 Liabilities, at and after the Effective Time.

(f) In the event that any conveyance of an Asset required hereby is not effected at or before the Effective Time, the obligation to transfer such Asset shall continue past the Effective Time and shall be accomplished as soon thereafter as practicable.

(g) If any Asset may not be transferred by reason of the requirement to obtain the consent of any third-party and such consent has not been obtained by the Effective Time, then (unless otherwise expressly agreed by L-3 and Spinco) such Asset shall not be transferred until such consent has been obtained. Subject to reimbursement from the other Party of all reasonable

costs and expenses incurred in connection with such actions, L-3 and Spinco, as the case may be, shall (i) cause the owner of such Asset to use commercially reasonable efforts to provide to the appropriate member of the other Group all the rights and benefits under such Asset, (ii) cause such owner to enforce such Asset for the benefit of such member and (iii) cause such member to assume all obligations of such Asset, in each case to the extent that such action does not cause a breach or default under such Asset. Both Parties shall otherwise cooperate and use commercially reasonable efforts to provide the economic and operational equivalent of an assignment or transfer of the Asset as of the Effective Time.

(h) From and after the Effective Time, each Party shall promptly transfer or cause the members of its Group promptly to transfer to the other Party or the appropriate member of the other Party's Group, from time to time, any property received that is an Asset of the other Party or a member of such other Party's Group. Without limiting the foregoing, funds received by a member of one Group upon the payment of accounts receivable that belong to a member of the other Group shall be transferred to the other Group by wire transfer as promptly as practicable after the receiving party becomes aware of having received such funds.

(i) Except as expressly set forth in this Agreement, any Ancillary Agreement or any instrument or document contemplated by this Agreement or any Ancillary Agreement, neither any member of the L-3 Group nor any member of the Spinco Group has made or shall be deemed to have made any representation or warranty as to (i) the Assets, business or Liabilities retained, transferred or assumed as contemplated hereby or thereby, (ii) any consents or approvals required in connection with the transfer or assumption by such party of any Asset or Liability contemplated by this Agreement, (iii) the value of or freedom from any lien, claim, equity or other encumbrance of, or any other matter concerning, any Assets of such Party, (iv) the absence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other Asset of such Party or (v) the legal sufficiency of any assignment, document or instrument delivered to convey title to any Asset transferred. EXCEPT AS MAY BE EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY ANCILLARY AGREEMENT, ALL ASSETS WERE, OR ARE BEING, TRANSFERRED, OR ARE BEING RETAINED, ON AN "AS IS," "WHERE IS" BASIS AND THE RESPECTIVE TRANSFEREES WILL BEAR THE ECONOMIC AND LEGAL RISKS THAT ANY CONVEYANCE OR OTHER TRANSFER SHALL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE A TITLE THAT IS FREE AND CLEAR OF ANY LIEN, CLAIM, EQUITY OR OTHER ENCUMBRANCE.

Section 2.03 Ancillary Agreements. Concurrently with the execution of this Agreement, L-3 and Spinco (or their appropriate subsidiaries) will execute and deliver:

- (a) a duly executed Employee Matters Agreement substantially in the form of Exhibit A hereto;
- (b) a duly executed Tax Matters Agreement substantially in the form of Exhibit B hereto;
- (c) a duly executed Transition Services Agreement substantially in the form of Exhibit C hereto;
- (d) duly executed Master Supply Agreements substantially in the form of Exhibit D hereto; and

(e) such other agreements, leases, subleases, documents or instruments as the Parties may agree are necessary or desirable in order to achieve the purposes hereof.

Section 2.04 Issuance of Spinco Common Stock. On or before the Distribution Date, and in exchange for the transfer of the Assets as provided above, and the surrender for reissue of all certificates representing outstanding Spinco Common Stock, Spinco will issue and deliver to L-3 a certificate representing shares of Spinco Common Stock constituting all the shares to be distributed as provided in Section 3.04 below.

Section 2.05 Resignations. On the Distribution Date, L-3 will deliver or cause to be delivered to Spinco resignations of each individuals who will be an employee of L-3 or another member of the L-3 Group from and after the Distribution Date and who is an officer or director of Spinco or any of its subsidiaries or Affiliates in the Spinco Group immediately prior to the Distribution Date, except as otherwise agreed to in writing by the Parties.

Section 2.06 Limitation of Liability.

(a) Except as otherwise expressly provided in this Agreement, no Party or any member of such Party's Group shall have any Liability to the other Party or any member of such other Party's Group in the event that any Information exchanged or provided pursuant to this Agreement (but excluding any such Information included in the Form 10) which is an estimate or forecast, or which is based on an estimate or forecast, is found to be inaccurate.

(b) Except as provided in Section 4.02 or Section 9.01, neither Party nor any member of such Party's Group shall have any Liability to the other Party or any member of such other Party's Group based upon, arising out of or resulting from any agreement, arrangement, course of dealing or understanding existing on or prior to the Effective Time (other than this Agreement or any Ancillary Agreement), and each Party hereby terminates, and shall cause all members in its Group to terminate, any and all agreements, arrangements, courses of dealing or understandings between it or any members of its Group and the other Party, or any members of its Group, effective as of the Effective Time (other than this Agreement or any Ancillary Agreement or any agreement entered into in connection herewith or in order to consummate the transactions contemplated hereby or thereby), and any such Liability, whether or not in writing, which is not reflected in any Ancillary Agreement or on such Schedule, is hereby irrevocably cancelled, released and waived effective as of the Effective Time. No such terminated agreement, arrangement, course of dealing or understanding (including any provision thereof which purports to survive termination) shall be of any further force or effect after the Effective Time.

Section 2.07 Novation of Liabilities; Consents.

(a) Each Party, at the request of the other Party, shall use commercially reasonable efforts to obtain, or to cause to be obtained, any consent, release, substitution or amendment required to novate or assign all obligations under agreements, arrangements, licenses and other obligations or Liabilities for which a member of such Party's Group and a member of the other Party's Group are jointly or severally liable and that do not constitute Liabilities of such other Party as provided in this Agreement (such other Party, the "Other Party"), or to obtain in writing the unconditional release of all parties to such arrangements (other than any member of the Group who assumed or retained such Liability as set forth in this Agreement), so that, in any such case, the members of the applicable Group will be solely responsible for such Liabilities; provided, however, that no Party shall be obligated to pay any consideration therefor to any third-party from whom any such consent, substitution or amendment is requested (unless such Party is fully reimbursed by the requesting Party); provided, further, that for the avoidance of doubt, the provisions of Section 4.02 shall govern the release of any members of the L-3 Group or Spinco Group, as applicable, from any obligations with respect to Guaranteed Spinco Liabilities and Guaranteed L-3 Liabilities, as applicable.

(b) If the Parties are unable to obtain, or to cause to be obtained, any such required consent, release, substitution or amendment, the Other Party or a member of such Other Party's Group shall continue to be bound by such agreement, arrangement, license or other obligation that does not constitute a Liability of such Other Party and, unless not permitted by Law or the terms thereof, as agent or subcontractor for such Party, the Party or member of such Party's Group who assumed or retained such Liability as set forth in this Agreement (the "Liable Party") shall, or shall cause a member of its Group to, pay, perform and discharge fully all the obligations or other Liabilities of such Other Party or member of such Other Party's Group thereunder from and after the Effective Time; provided, however, that the Other Party shall not be obligated to extend, renew or otherwise cause such agreement, arrangement, license or other obligation to remain in effect beyond the term in effect as of the Effective Time. The Liable Party shall indemnify each Other Party and the members of such Other Party's Group and hold each of them harmless against any and all Liabilities arising in connection therewith; provided, that the Liable Party shall have no obligation to indemnify the Other Party or any member of such Other Party's Group with respect to any matter to the extent that such Other Party has engaged in any knowing violation of Law, fraud or misrepresentation in connection therewith. The Other Party shall, without further consideration, promptly pay and remit, or cause to be promptly paid or remitted, to the Liable Party or to another member of the Liable Party's Group, all money, rights and other consideration received by it or any member of its Group in respect of such performance by the Liable Party (unless any such consideration is an Asset of such Other Party pursuant to this Agreement). If and when any such consent, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or able to be novated, the Other Party shall promptly assign, or cause to be assigned, all rights, obligations and other Liabilities thereunder of any member of such Other Party's Group to the Liable Party or to another member of the Liable Party's Group without payment of any further consideration and the Liable Party, or another member of such Liable Party's Group, without the payment of any further consideration, shall assume such rights and Liabilities.

Section 2.08 Certain Government Matters.

(a) Compliance by Spinco. Spinco acknowledges and agrees that it has read and is familiar with the Consent Agreement, the Settlement Agreements, and the Air Force Agreement and all of L-3's obligations thereunder. From and after the Effective Time, Spinco shall, and shall cause its subsidiaries to (i) comply with the requirements of the Consent Agreement, the Settlement Agreements and the Air Force Agreement in all respects and (ii) take any and all actions within its control necessary to ensure that each of L-3 and its subsidiaries are in compliance with the Consent Agreement, the Settlement Agreements and the Air Force Agreement in all respects, in each case as applicable to the Spinco Business.

(b) DCAA and DCMA Matters.

(i) For purposes of this Section 2.08(b) only, the following definitions apply:

(1) "Allowable Cost Audit" means any Defense Contract Audit Agency, Defense Contract Management Agency or other Governmental Entity audit or other negotiations with contracting officers or other authorized representatives of any Governmental Entity, involving any period (or portion thereof) on or prior to the Distribution.

(2) "Settlement Liability," means a net liability due to the final agreement of claims or rights arising out of the settlement of an Allowable Cost Audit, including:

(A)

final indirect costs and rates for government contracts; (B) Cost Accounting Standards (CAS) matters; (C) defective pricing matters; or (D) advance agreements with the U.S. Government. A Settlement Liability shall be computed as the total impact on the net amount to be paid upon final contract settlement, including direct and indirect costs, fees and profits.

(ii) Spinco shall allow any Governmental Entity to offset any Settlement Liability related to any Spinco Liabilities or any Spinco Asset against payments otherwise owed by such Governmental Entity after the Distribution and/or promptly reimburse L-3 for Spinco's pro rata portion of any Settlement Liabilities of L-3 paid or to be paid to any Governmental Entity by L-3, with such pro rata portion calculated in a manner consistent with L-3's business practice prior to the Distribution. For the avoidance of doubt, (i) Spinco shall indemnify or otherwise compensate L-3 for any and all future Liabilities associated with audit adjustments of allocations related to or associated with the Spinco Liabilities and/or Spinco Assets and (ii) L-3 shall indemnify or otherwise compensate Spinco for any and all future Liabilities associated with audit adjustments of allocations not related to or associated with the Spinco Liabilities or Spinco Assets.

(c) Administration of Government Contract Matters. The Parties shall make available, upon reasonable notice and at reasonable times during regular business hours, any of the Parties' or their Affiliates' personnel whose assistance or participation is reasonably requested by the other Party in connection with any government audit or contract administration activity, including matters involving either Party's indirect cost proposals, the Cost Accounting Standards (CAS) and defective pricing.

(d) Compliance with Security Requirements. Following the Effective Time, in the event any member of a Party's Group remains party to any contract with any Governmental Entity (the "Contract Party"), which contract is to be novated to a member of the other Party's Group (the "Novation Party") following the Effective Time in accordance with this Agreement, the Contract Party shall take all reasonable measures necessary for such member of the Contract Party Group to maintain any security clearances required to be maintained pursuant to such agreement until such contract is novated to the applicable member of the Novation Party Group in accordance herewith.

Section 2.09 Treatment of Cash.

(a) Prior to the Distribution, the members of the Spinco Group shall make capital and other expenditures and operate their respective cash management, accounts payable and receivables collection systems in the ordinary course consistent with past practice.

(b) From the date of this Agreement until the Distribution, L-3 shall be entitled to use, retain or otherwise dispose of all cash generated by the Spinco Business and the Spinco Assets in accordance with the ordinary course operation of L-3's cash management system. Notwithstanding anything to the contrary herein, all such cash shall be an L-3 Asset.

ARTICLE III THE DISTRIBUTION

Section 3.01 Cooperation Prior to the Distribution.

(a) L-3 and Spinco shall prepare, and L-3 shall mail to the holders of L-3 Common Stock, the Information Statement, which shall set forth appropriate disclosure concerning Spinco, the Distribution and any other appropriate matters. L-3 and Spinco shall also prepare, and Spinco shall file with the Commission, the Form 10, which shall include the Information Statement. L-3 and Spinco shall use commercially reasonable efforts to cause the Form 10 to become effective under the Exchange Act.

(b) L-3 shall cause L-3 Corp, as the sole shareholder of Spinco, to approve and adopt the Spinco employee benefit plans contemplated by the Employee Matters Agreement and L-3 and Spinco shall cooperate in preparing, filing with the Commission under the Securities Act and causing to become effective not later than the Distribution Date any registration statements or amendments thereto that are appropriate to reflect the establishment of or amendments to any employee benefit plan of Spinco contemplated by the Employee Matters Agreement, including a Form S-8 with respect thereto.

(c) Spinco shall take all such action as may be necessary or appropriate under the securities or blue sky laws of states or other political subdivisions of the United States in connection with the transactions contemplated by this Agreement or any Ancillary Agreement.

(d) Spinco shall prepare, file, and use all reasonable efforts to cause to be approved prior to the Record Date, the application to permit listing of the Spinco Common Stock on the NYSE.

Section 3.02 Sole Discretion of L-3. L-3 shall, in its sole and absolute discretion, determine the Distribution Date and all terms of the Distribution, including any form, structure and terms of any transactions and/or offerings to effect the Distribution and the timing of and conditions to the consummation thereof. In addition, L-3 may, in accordance with Section 13.05(c), at any time and from time to time until the completion of the Distribution decide to abandon the Distribution or modify or change the terms of the Distribution, including by accelerating or delaying the timing of the consummation of all or any part of the Distribution. Without limiting the foregoing, L-3 shall have the right not to complete the Distribution if, at any time prior to the Effective Time, the Board of Directors of L-3 shall have determined, in its sole discretion, that the Distribution is not in the best interests of L-3 or its shareholders or other constituents, that a sale or other alternative is in the best interests of L-3 or its shareholders or other constituents or that it is not advisable at that time for Spinco to separate from L-3.

Section 3.03 Conditions Precedent to the Distribution. Subject to Section 3.02, the following are conditions to the consummation of the Distribution. The conditions are for the sole benefit of L-3 and shall not give rise to or create any duty on the part of L-3 or the Board of Directors of L-3 to waive or not waive any such condition.

(a) The Form 10 shall have been declared effective by the Commission, no stop order suspending the effectiveness thereof shall be in effect, no proceedings for such purpose shall be pending before or threatened against the Commission, the Information Statement shall have been mailed to the holders of L-3 Common Stock and all registration statements referred to under Section 3.01(b) shall have become effective under the Securities Act;

(b) The Spinco Common Stock shall have been approved for listing on the NYSE, subject to official notice of distribution;

(c) Prior to the Distribution Date, L-3 shall have obtained an opinion of Simpson Thacher & Bartlett LLP, its tax counsel, in form and substance satisfactory to L-3 (in its sole discretion), as to the satisfaction of certain conditions necessary for the Distribution, together with certain related transactions, to receive tax-free treatment under Section 355 of the Code;

(d) Prior to the Distribution Date, L-3 shall have obtained a private letter ruling from the IRS in form and substance satisfactory to L-3 (in its sole discretion), and such ruling shall remain in effect as of the Distribution Date, to the effect, among other things, that the Distribution, together with certain related transactions, will be tax-free under Section 355 of the Code;

(e) Prior to the Distribution Date, L-3's Board of Directors shall have obtained opinions from a nationally recognized valuation firm, in form and substance satisfactory to L-3, with respect to the capital adequacy and solvency of Spinco;

(f) Any regulatory approvals and other consents necessary to consummate the Distribution or any portion thereof shall have been obtained and be in full force and effect;

(g) No order, injunction or decree issued by any Governmental Entity of competent jurisdiction or other legal restraint or prohibition preventing the consummation of all or any portion of the Distribution shall be pending, threatened, issued or in effect, and no other event outside the control of L-3 shall have occurred or failed to occur that prevents the consummation of all or any portion of the Distribution;

(h) No other events or developments shall have occurred or failed to occur prior to the Distribution Date that, in the judgment of L-3's Board of Directors, would result in the Distribution having a material adverse effect on L-3 or its shareholders;

(i) The financing transactions described in the Information Statement as having occurred prior to the Distribution shall have been consummated on or prior to the Distribution;

(j) The transactions described in Section 2.01 shall have been completed, except for such steps as L-3 in its sole discretion shall have determined may be completed after the Effective Time;

(k) L-3 shall have taken all necessary action, in the judgment of L-3's Board of Directors, to cause Spinco's Board of Directors to consist of the individuals identified in the Information Statement as directors of Spinco;

(l) The Board of Directors of L-3 shall have authorized the Distribution, which authorization may be given or withheld at its absolute and sole discretion; and

(m) Each Ancillary Agreement shall have been executed by each party thereto.

Section 3.04 The Distribution. On or before the Distribution Date, subject to satisfaction or waiver of the conditions set forth in this Agreement, L-3 shall deliver to the Distribution Agent a certificate or certificates representing all of the then outstanding shares of Spinco Common Stock held by the L-3 Group, endorsed in blank, and shall instruct the Distribution Agent to distribute to each holder of record of L-3 Common Stock on the Record Date one share of Spinco Common Stock for every six shares of L-3 Common Stock so held by crediting the holder's brokerage account. Spinco agrees to provide all certificates for shares of Spinco Common Stock that the Distribution Agent shall require in order to effect the Distribution.

ARTICLE IV
COVENANTS

Section 4.01 Bank Accounts.

(a) The Parties agree to take, or cause the respective members of their respective Groups to take, at the Effective Time (or such earlier time as the Parties may agree), all actions necessary to amend all agreements or arrangements governing each bank and brokerage account owned by Spinco or any other member of the Spinco Group (the "Spinco Accounts"), excluding all Spinco Accounts listed or described on Schedule 4.01(a), so that such Spinco Accounts, if currently linked (whether by automatic withdrawal, automatic deposit or any other authorization to transfer funds from or to, hereinafter "linked") to any bank or brokerage account owned by L-3 or any other member of the L-3 Group (the "L-3 Accounts") are de-linked from the L-3 Accounts. From and after the Effective Time, no current or former employee of any member of the L-3 Group shall have any authority to access or control any Spinco Account other than those who will be Spinco employees.

(b) The Parties agree to take, or cause the respective members of their respective Groups to take, at the Effective Time (or such earlier time as the Parties may agree), all actions necessary to amend all agreements or arrangements governing the L-3 Accounts so that such L-3 Accounts, if currently linked to a Spinco Account, are de-linked from the Spinco Accounts. From and after the Effective Time, no current or former employee of any member of the Spinco Group shall have any authority to access or control any L-3 Account other than those who will be L-3 employees.

(c) With respect to any outstanding checks issued by L-3, Spinco or any of their respective subsidiaries prior to the Effective Time, such outstanding checks shall be honored following the Effective Time by the entity or Group owning the account on which the check is drawn.

(d) As between the two Parties (and the members of their respective Groups), all payments and reimbursements received after the Effective Time by any Party (or member of its Group) that relate to a business, Asset or Liability of another Party (or member of its Group), shall be held by such Party in trust for the use and benefit of the Party entitled thereto (at the expense of the Party entitled thereto) and, promptly upon receipt by such Party of any such payment or reimbursement, such Party shall pay over, or shall cause the applicable member of its Group to pay over to the other Party the amount of such payment or reimbursement without right of set-off.

Section 4.02 Guaranteed Spinco and L-3 Liabilities.

(a) Spinco shall use commercially reasonable efforts (excluding payment of money or incurrence of Liabilities, other than (x) Liabilities underlying the applicable Guaranteed Spinco Liability) and (y) the costs of obtaining letters of credit, surety bonds and similar instruments in substitution of any L-3 Group guarantee or other contractual commitment supporting Guaranteed Spinco Liabilities) to obtain at or prior to the Effective Time or as promptly as practicable thereafter the release of all members of the L-3 Group from any obligations with respect to Guaranteed Spinco Liabilities, including (i) removing all members of the L-3 Group from their obligations as guarantors with respect to the guarantees listed or described in clause (A) of Schedule 4.02(a) and (ii) replacing the instruments described in clauses (B) and (C) of Schedule 4.02(a) with instruments not executed by, or obligating, any member of the L-3 Group. In no event shall any member of the Spinco Group take any action with respect to any Guaranteed Spinco Liabilities which could be reasonably expected to adversely affect the L-3 Group members in any way, including, without limitation, extending the term of any Guaranteed Spinco Liabilities or increasing the liability guaranteed thereunder, unless the guarantee or obligation of all L-3 Group members is released as to any extended or modified liability obligations under such Guaranteed Spinco Liabilities or L-3 otherwise consents in writing.

(b) L-3 shall use commercially reasonable efforts (excluding payment of money or incurrence of Liabilities, other than (x) Liabilities underlying the applicable Guaranteed L-3 Liability) and (y) the costs of obtaining letters of credit, surety bonds and similar instruments in substitution of any Spinco Group guarantee or other contractual commitment supporting Guaranteed L-3 Liabilities) to obtain at or prior to the Effective Time or as promptly as practicable thereafter the release of all members of the Spinco Group from any obligations with respect to Guaranteed L-3 Liabilities to which they have not been released as of the Distribution Date, including (i) removing all members of the Spinco Group from their obligations as guarantors with respect to the guarantees listed or described in Schedule 4.02(b) and (ii) replacing the instruments described in Schedule 4.02(b) with instruments not executed by, or obligating, any member of the Spinco Group. In no event shall any member of the L-3 Group take any action with respect to any Guaranteed L-3 Liabilities which could be reasonably expected to adversely affect the Spinco Group members in any way, including, without limitation, extending the term of any Guaranteed L-3 Liabilities or increasing the liability guaranteed thereunder, unless the guarantee or obligation of all Spinco Group members is released as to any extended or modified liability obligations under such Guaranteed L-3 Liabilities or Spinco otherwise consents in writing.

(c) In the event that any L-3 Group member is required to pay or otherwise satisfy any Guaranteed Spinco Liabilities, without limiting any of L-3's rights and remedies against Spinco under this Agreement or otherwise, in order to secure Spinco's indemnity obligations to L-3 hereunder in respect of such Guaranteed Spinco Liabilities, L-3 shall be entitled to all the rights of the payee in any property of any member of the Spinco Group pledged as security for such Guaranteed Spinco Liabilities.

(d) In the event that any Spinco Group member is required to pay or otherwise satisfy any Guaranteed L-3 Liabilities, without limiting any of Spinco's rights and remedies against L-3 under this Agreement or otherwise, in order to secure L-3's indemnity obligations to Spinco hereunder in respect of such Guaranteed L-3 Liabilities, Spinco shall be entitled to all the rights of the payee in any property of any member of the L-3 Group pledged as security for such Guaranteed L-3 Liabilities.

(e) Notwithstanding anything to the contrary contained herein, Spinco shall (i) within 30 days following the date of this Agreement, obtain a replacement letter of credit for the letter of credit issued in favor of the New York branch office of National Bank of Kuwait (NBK) to support the guarantee to MPRI International Services, Ltd.'s customer in Kuwait, the Kuwait National Guard and (ii) promptly reimburse the applicable L-3 Group members for any costs incurred by them with respect to the existing letter of credit prior to such replacement.

Section 4.03 Insurance.

(a) Third Party Policies.

(i) With respect to Third Party Policies, if an occurrence for which coverage is available under such Third Party Policies happens prior to the Effective Time, and a claim arising therefrom has been or is eventually asserted against Spinco or any other member of the Spinco Group (including any officer, director, employee or agent thereof) and such claim is reported on behalf of Spinco to the carrier, with a copy to L-3, in accordance with the reporting provision of the applicable policy, then L-3 will use commercially reasonable efforts, or will cause the members of the L-3 Group that are insured thereunder to use commercially reasonable efforts, to

(A) to the extent available, continue to provide Spinco and any other member of the Spinco Group with access to and coverage under the applicable Third Party Policies and (B) reasonably cooperate with Spinco's request to take commercially reasonable actions as may be necessary or advisable to assist Spinco in submitting such claims under the applicable Third Party Policies; provided, that Spinco shall be responsible for any deductibles or self-insured retentions or co-payments or other costs and/or expense of Spinco and L-3 legally due and owing relating to such claims. For the avoidance of doubt, if an occurrence for which coverage is available under such Third Party Policies happens after the Effective Time (and is not attributable and related to an occurrence which occurred prior to the Effective Time), or a claim arising from an occurrence prior to the Effective Time is not reported on or before the date when such occurrence must be reported to the carrier under the applicable Third Party Policy, then no payment for any damages, costs of defense or other sums with respect to such claim shall be available to Spinco under such Third Party Policies.

(ii) With respect to all Third Party Policies, Spinco agrees and covenants (on behalf of itself and each other member of the Spinco Group, and each other Affiliate of Spinco) not to make any claim or assert any rights against L-3 and any other member of the L-3 Group (including the captive insurance companies that are insured under the Third Party Policies), or the unaffiliated third-party insurers of such Third Party Policies, except as expressly provided under this Section 4.03(a).

(b) Administration of Third Party Policies; Other Matters.

(i) From and after the Effective Time, Spinco or a member of the Spinco Group shall be responsible for the administration of all Third Party Spinco Policies and Spinco shall be responsible for any premium adjustments, audits, deductible bills, collateral, Taxes and claims handling charges or other expenses associated with Third Party Spinco Policies.

(ii) With respect to all Third Party Policies, from and after the Effective Time, the agent for the applicable policy shall be responsible for the Insurance Administration of such Third Party Policies; provided, that the retention of such administrative responsibilities by an agent of L-3 is in no way intended to limit, inhibit or preclude any right to insurance coverage for any Insured Claim of a named insured under such Third Party Policies as contemplated by the terms of this Agreement; provided, further, that the retention of such administrative responsibilities by an agent of L-3 shall not relieve the Person submitting any Insured Claim of the primary responsibility for reporting such Insured Claim accurately, completely and in a timely manner, or of such Person's authority to settle any such Insured Claim within any period permitted or required by the relevant Third Party Policy, or of such Person's responsibility for obtaining and reviewing the appropriateness of any releases upon settlement of any such Insured Claim.

(iii) Where Spinco Liabilities are specifically covered under a Third Party Policy for periods prior to the Effective Time, or where such Third Party Policy covers claims made after the Effective Time with respect to an occurrence prior to the Effective Time, then from and after the Effective Time, Spinco may claim coverage for Insured Claims under such Third Party Policy as and to the extent that such insurance is available up to the full extent of the applicable limits of liability of such Third Party Policy (and may receive any Insurance Proceeds with respect thereto as contemplated by Section 4.03(a) or Section 4.03(b)(v)), subject to the terms of this Section 4.03(b); provided, that nothing in this Section 4.03(b) shall be deemed to constitute (or to reflect) an assignment of the Third Party Policies, or any of them, to Spinco. For the period from the Effective Time through December 31, 2013, L-3 agrees to use commercially reasonable efforts to maintain the Third Party Policies (or comparable levels of insurance for the Spinco Group) for

occurrences arising prior to the Effective Time, in each case at levels comparable to those in existence at the Effective Time (it being agreed however that such commercially reasonable efforts shall not limit or otherwise restrict the ability of L-3 to amend, modify or terminate any Third Party Policies, except if the primary purpose of such action is to exclude a member of the Spinco Group as a named insured). L-3 further represents and warrants that, to the knowledge of the Assistant Treasurer and the Director, Risk Management of L-3 Corp, L-3 has no current intention or plans to exclude the Spinco Group from Third Party Policies with respect to the periods prior to the Effective Time.

(iv) Except as set forth in this Section 4.03(b), L-3 and Spinco shall not be liable to one another (or any of the members of their respective Groups) for claims, or portions of claims, not reimbursed by insurers under any Third Party Policy for any reason not within the control of L-3 or Spinco, including bankruptcy or insolvency of any insurance carrier(s), Third Party Policy limitations or restrictions, any coverage disputes, any failure to timely file a claim by L-3 or Spinco (or any of the members of their respective Groups) or any defect in such claim or its processing. It is expressly understood that the foregoing provisions in this Section 4.03(b)(iv) shall not limit any Party's liability to any other Party for indemnification pursuant to Article VI.

(v) Except as otherwise provided in Section 4.03(a), Insurance Proceeds received with respect to claims, costs and expenses under the Third Party Policies shall be paid, as appropriate, to L-3 with respect to the L-3 Liabilities, and Spinco, with respect to Spinco Liabilities.

(vi) In the event that the Parties or members of their respective Groups have bona fide claims under any Third Party Policy arising from the same occurrence and for which a deductible or self-insured retention is payable, the Parties agree that the aggregate amount of the deductible or self-insured retention paid shall be borne by the Parties in the same proportion which the Insurance Proceeds received by each such Party with respect to such claims arising from such occurrence bears to the total Insurance Proceeds received under the applicable Third Party Policy with respect to such claims arising from such occurrence, and any Party who has paid more than such allocable share of the deductible or self-insured retention shall be entitled to receive from the other Party an appropriate amount so that each Party has borne its allocable share of the deductible or self-insured retention pursuant hereto.

(c) Cooperation. The Parties agree to use (and cause the members in their respective Groups to use) commercially reasonable efforts to cooperate with respect to the various insurance matters contemplated by this Section 4.03.

(d) Waiver of Conflict and Shared Defense; Insurance Litigation and/or Recovery Efforts. In the event that Insured Claims of L-3 and Spinco exist relating to the same occurrence, L-3 and Spinco shall jointly defend and waive any conflict of interest to the extent necessary to the conduct of the joint defense. In the event of any Action by L-3 or Spinco to recover or obtain Insurance Proceeds, or to defend against any Action by an insurance carrier to deny any Third Party Policy benefits, the other Party may join in any such Action and be represented by joint counsel and both Parties shall waive any conflict of interest to the extent necessary to conduct any such Action.

(e) Miscellaneous.

(i) Nothing in this Agreement shall be deemed to restrict Spinco or L-3, or any members of their respective Groups, from acquiring at its own expense any insurance Policy in respect of any Liabilities or covering any period. Except as otherwise provided in this

Agreement, from and after the Effective Time, Spinco and L-3 shall be responsible for obtaining and maintaining their respective insurance programs for their risk of loss and such insurance arrangements shall be separate programs apart from each other and each will be responsible for its own deductibles and self-insured retentions for such insurance programs; provided, however, that Spinco shall obtain Policies to take effect as of the Effective Time in such amounts, with such terms (including prior acts coverage), and covering such risks and losses in every respect at least as comprehensive as those set forth on Schedule 4.03(e).

(ii) Each of the Parties intends by this Agreement that a third-party Person, including a third-party insurer or reinsurer, or other third-party Person that, in the absence of the Agreement would otherwise be obligated to pay any claim or satisfy any indemnity or other obligation, shall not be relieved of the responsibility with respect thereto and shall not be entitled to a "windfall" (*i.e.*, avoidance of the obligation that such Person would have in the absence of this Agreement). To the extent that any such Person would receive such a windfall, the Parties shall negotiate in good faith concerning an amendment of this Agreement.

Section 4.04 No Hire; No Solicit. None of L-3 or Spinco or any member of their respective Groups will, from the Effective Time through and including the second anniversary of the Effective Time, without the prior written consent of the other Party, either directly or indirectly, on their own behalf or in the service or on behalf of others (i) solicit, aid, induce or encourage any individual who is an employee of a member of the other Party's Group (a "Group Employee") to leave his or her employment or (ii) hire any individual who, at any time during the 12-month period prior to the time of such hiring, was a Group Employee; provided, that the foregoing restrictions in clauses (i) and (ii) shall not apply to any Group Employees who are "direct labor employees" paid on a hourly wage rate and whose employment with such other Party's Group was exclusively dedicated to the performance of a contract between a member of such other Party's Group and any Governmental Entity, which contract has been subsequently awarded to such soliciting or hiring Party's Group. Notwithstanding the foregoing, the restrictions set forth in this Section 4.04 shall not be deemed to have been violated by a general solicitation that is not specifically directed at the Group Employees of the other Party, including, without limitation, advertising of open positions, participating in job fairs, or other generalized forms of solicitations.

Section 4.05 Legal Names and Signage.

(a) Except as otherwise specifically provided in any Ancillary Agreement, each Party shall exercise commercially reasonable efforts to cease (and cause all of the other members of its Group to cease), as soon as reasonably practicable after the Distribution Date, but in any event, shall cease, within three months thereafter: (i) making any use of any names or Trademarks that include (A) any of the Trademarks of the other Party or such other Party's subsidiaries or Affiliates and (B) any names or Trademarks confusingly similar thereto (with respect to each Party, such Trademarks of the other Party or any of such other Party's subsidiaries or Affiliates, the "Other Party Marks"), and (ii) holding themselves out as having any affiliation with the other Party or such other Party's subsidiaries or Affiliates; provided, however, that the foregoing shall not prohibit any Party or any member of a Party's Group from (1) with respect to Spinco or any member of the Spinco Group, for a period of one year from the Effective Time, stating in any advertising or any other communication that it is formerly an L-3 affiliate, (2) making use of any Other Party Mark in a manner that would constitute "fair use" under applicable Law if any unaffiliated third-party made such use or would otherwise be legally permissible for any unaffiliated third-party without the consent of the Party owning such Other Party Mark or (3) as may be required in any regulatory filing or submission or as may otherwise be required by Law. In furtherance of the foregoing, as soon as practicable, but in no event later than three months following the Effective Time, each Party shall (and cause all of the other members of its Group to) remove, strike over or otherwise obliterate all Other Party Marks from all of such Party's and its subsidiaries' and Affiliates' Assets and

other materials, including any vehicles, business cards, schedules, stationery, packaging materials, displays, signs, promotional materials, manuals, forms, websites, email, computer software and other materials and systems; provided, however, that Spinco shall promptly after the Effective Time post a disclaimer on the "www.EngilityCorp.com" website and on any other website of the members of the Spinco Group and informing its and the other members of the Spinco Group's customers that as of the Effective Time and thereafter Spinco, and not L-3, is responsible for the operation of the Spinco Business, including such website and any applicable services. Any use by any Party or any of such Party's subsidiaries or Affiliates of any of the Other Party Marks as permitted in this Section 4.05 is subject to their compliance with all quality control and related requirements and guidelines in effect for the Other Party Marks as of the Effective Time.

(b) Notwithstanding the foregoing requirements of Section 4.05(a), if any Party or any member of such Party's Group exercised good faith efforts to comply with Section 4.05(a) but is unable, due to regulatory or other circumstance beyond its reasonable control, to effect a legal name change or other change in compliance with applicable Law such that an Other Party Mark remains in such Party's or its Group member's legal name, then such Party or its relevant Group member will not be deemed to be in breach hereof as long as it continues to exercise good faith efforts to effectuate such name change and does effectuate such name change within six months after the Effective Time, and, in such circumstances, such Party or Group member may continue to include in its assets and other materials references to the Other Party Mark that is in such Party's or Group member's legal name which includes references to "L-3" as applicable, but only to the extent necessary to identify such Party or Group member and only until such Party's or Group member's legal name can be changed to remove and eliminate such references.

(c) Notwithstanding the foregoing requirements of Section 4.05(a), Spinco shall not be required to change any name including the word "L-3" in any third-party contract or license, or in property records with respect to real or personal property, if an effort to change the name is commercially unreasonable; provided, however, that (i) Spinco on a prospective basis from and after the Effective Time shall change the name in any new or amended third-party contract or license or property record and (ii) Spinco shall not advertise or make public any continued use of the "L-3" name permitted by this Section 4.05(c).

(d) Spinco agrees as of the Distribution Date, on behalf of itself and its Affiliates, that none of them will assert, threaten to assert, or bring or threaten any Action under, the Spinco Patent and other Intellectual Property owned by the Spinco Group as of the Effective Time, with the exception of the Spinco Trademarks and the Spinco Copyrights, against L-3 or Affiliates of L-3 in connection with the conduct of their respective businesses, including the manufacture, use, export, repair, sale, offer for sale or other disposition of L-3 products and the performance of L-3 services. The foregoing agreement may sometimes be referred to herein as an "immunity from suit" and shall automatically extend to the benefit of customers purchasing products or services from L-3 or Affiliates of L-3 in connection with their use, marketing, distribution or resale of such products and to subcontractors, contract manufacturers, resellers and distributors to the extent they are manufacturing, marketing, using or selling products on behalf of L-3 or Affiliates of L-3 or their respective customers. The benefits of the foregoing immunity from suit shall be transferable to any successor to or assignee of L-3 or its Affiliates' respective businesses or any portion thereof. The foregoing immunity from suit shall be automatically binding on any assignee of or successor to Spinco's interest in the Spinco Patent. Notwithstanding the foregoing, to the extent that there is any Spinco Copyrights that are used in the operation of the L-3 Group's business as currently conducted on or before the Effective Time, Spinco Group agrees not to assert such copyright against the L-3 Group in connection with the L-3 Group's continued use of the copyrighted work in a similar manner as conducted in the operation of the L-3 Group's business prior to the Effective Time.

(e) To the extent that there is any Patent or trade secret that is owned by the L-3 Group as of Effective Time and that is not included in the Spinco Assets and that is used in the operation of the business as currently conducted by Spinco on or before the Distribution Date, L-3 agrees not to assert such Patent or trade secret against Spinco in connection with Spinco's continued use in the same manner as conducted in the operation of the business prior to the Distribution Date.

Section 4.06 Auditors and Audits; Annual and Quarterly Financial Statements and Accounting.

(a) Each Party agrees to the following:

(i) Annual Financial Statements. For the period ending 365 days following the Effective Time and in any event solely with respect to the preparation and audit of each of the Party's financial statements for any of the years ended December 31, 2012, 2011 and 2010, each Party shall provide to the other Party on a timely basis all Information reasonably required to meet its schedule for the preparation, printing, filing and public dissemination of its annual financial statements and, to the extent applicable to such Party, for management's assessment of the effectiveness of its disclosure controls and procedures and its internal control over financial reporting in accordance with all applicable provisions of Regulation S-K, including, without limitation, Items 307 and 308 of Regulation S-K and, to the extent applicable to such Party, its auditor's audit of its internal control over financial reporting and management's assessment thereof in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 and the Commission's and Public Company Accounting Oversight Board's rules and auditing standards thereunder (such assessments and audit being referred to as the "Internal Control Audit and Management Assessments"). Without limiting the generality of the foregoing, each Party will provide all required financial and other Information with respect to itself and its subsidiaries to its auditors in a sufficient and reasonable time and in sufficient detail to permit its auditors to take all steps and perform all reviews necessary to provide sufficient assistance to the other Party's auditors on a reasonable timeframe with respect to information to be included or contained in the other Party's annual financial statements and to permit the other Party's auditors and management to complete the Internal Control Audit and Management Assessments within a reasonable period of time. In addition, in the event that any Party changes its independent auditors within one (1) year following the Distribution Date, then such Party may request reasonable access on the terms set forth in this Section 4.6 for a period of up to one hundred and eighty (180) days from such change.

(ii) Quarterly Assessment of Internal Controls. Spinco shall be required to complete and submit to L-3 the design, documentation and testing of all in-scope processes in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 as required and communicated by L-3 for the quarter ending June 29, 2012 by July 17, 2012.

(iii) Access to Personnel and Records. With respect to the fiscal year 2012, and any future fiscal year of each of L-3 and Spinco, each audited Party shall authorize its auditors, and use commercially reasonable efforts to cause its respective auditors, to make available to the other Party's auditors (the other Party's auditors, collectively, the "Other Party's Auditors"), at the sole cost and expense of the Party requesting access, both the personnel who performed or are performing the annual audits of such audited Party (each such Party with respect to its own audit, the "Audited Party") and work papers related to the annual audits of such Audited Party, in all cases within a reasonable time prior to such Audited Party's auditors' opinion date, so that the Other Party's Auditors are able to perform the procedures they consider necessary to take responsibility for, or otherwise to review to the extent deemed required, the work of the Audited

Party's auditors as it relates to their auditors' report on or review of such other Party's financial statements, all within sufficient time to enable such other Party to meet its timetable for the printing, filing and public dissemination of its annual or interim financial statements. In such an event, each Party shall make available to the Other Party's Auditors and management its personnel and Records, at the sole cost and expense of the Party requesting access, in a reasonable time prior to the Other Party's Auditors' opinion or review date and the other Party's management's assessment date so that the Other Party's Auditors and the other Party's management are able to prepare its annual or interim financial statements or to perform the procedures they consider necessary to conduct the Internal Control Audit and Management Assessments.

(b) Spinco shall, at its cost and expense, provide to L-3 as promptly as reasonably practicable (but in no event later than July 23, 2012 in the case of clause (i) of this paragraph and August 10, 2012 in the case of clause (ii) of this paragraph) unaudited financial statements for the Spinco Business that are the substantial equivalent of the financial statements that the Spinco Business would have produced pursuant to an L-3 month end closing process and any additional financial and other Information reasonably requested by L-3 with respect to (i) the period beginning June 30, 2012 through the Distribution Date and (ii) the full month of July 2012.

(c) In the event a Party restates any of its financial statements that include such Party's audited or unaudited financial statements with respect to any balance sheet date or period of operation between January 1, 2009 and December 31, 2012, such Party will deliver to the other Party a substantially final draft, as soon as the same is prepared, of any report to be filed by such first Party with the Commission that includes such restated audited or unaudited financial statements (the "Amended Financial Report"); provided, however, that such first Party may continue to revise its Amended Financial Report prior to its filing thereof with the Commission, which changes will be delivered to the other Party as soon as reasonably practicable; provided, further, however, that such first Party's financial personnel will actively consult with the other Party's financial personnel regarding any changes which such first Party may consider making to its Amended Financial Report and related disclosures prior to the anticipated filing of such report with the Commission, with particular focus on any changes which would have an effect upon the other Party's financial statements or related disclosures. Each Party will reasonably cooperate with, and permit and make any necessary employees available to, the other Party, in connection with the other Party's preparation of any Amended Financial Reports.

(d) If any Party or member of its respective Group is required, pursuant to Rule 3-09 of Regulation S-X or otherwise, to include in its Exchange Act filings audited financial statements or other Information of the other Party or member of the other Party's Group, the other Party shall use commercially reasonable efforts to (i) provide such audited financial statements or other Information and (ii) cause its outside auditors to consent to the inclusion of such audited financial statements or other Information in the Party's Exchange Act filings.

(e) Nothing in this Section 4.06 shall require any Party to violate any agreement with any third-party regarding the confidentiality of confidential and proprietary Information relating to such third-party or such third-party's business; provided, however, that in the event that a Party is required under this Section 4.06 to disclose any such Information, such Party shall use commercially reasonable efforts to seek to obtain such third-party's consent to the disclosure of such Information.

Section 4.07 No Restrictions on Post-Closing Competitive Activities; Corporate Opportunities.

(a) Except as expressly provided herein or in any of the Ancillary Agreements, it is the explicit intent of each of the Parties that this Agreement shall not include any non-competition or other similar restrictive arrangements with respect to the range of business activities that may be conducted by the Parties. Accordingly, except as expressly provided herein or in any of the Ancillary Agreements, each of the Parties acknowledges and agrees that nothing set forth in this Agreement shall be construed to create any explicit or implied restriction or other limitation on (i) the ability of the other Party hereto to engage in any business or other activity that competes with the business of such Party or (ii) the ability of the other Party to engage in any specific line of business or engage in any business activity in any specific geographic area.

(b) Except as expressly provided herein or in any of the Ancillary Agreements, L-3 and the L-3 Group shall have the right to, and shall have no duty not to (i) engage in the same or similar business activities or lines of business as Spinco or any other member of the Spinco Group, (ii) do business with any client or customer of Spinco or any other member of the Spinco Group and (iii) except as provided in Section 4.04, employ or otherwise engage any officer or employee of Spinco or any other member of the Spinco Group, and neither L-3 nor the L-3 Group nor any officer or director thereof shall be liable to Spinco or any other member of the Spinco Group or any of Spinco's stockholders after the Distribution for breach of any fiduciary duty by reason of any such activities of L-3 or any other member of the L-3 Group or of such Person's participation therein.

(c) Except as expressly provided herein or in any of the Ancillary Agreements, Spinco and the Spinco Group shall have the right to, and shall have no duty not to (i) engage in the same or similar business activities or lines of business as L-3 or any other member of the L-3 Group, (ii) do business with any client or customer of L-3 or any other member of the L-3 Group and (iii) except as provided in Section 4.04, employ or otherwise engage any officer or employee of L-3 or any other member of the L-3 Group, and neither Spinco nor the Spinco Group nor any officer or director thereof shall be liable to L-3 or any other member of the L-3 Group or any of L-3's stockholders for breach of any fiduciary duty by reason of any such activities of Spinco or the Spinco Group or of such Person's participation therein.

(d) In the event that L-3 or any other member of the L-3 Group acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both L-3 or any other member of the L-3 Group and Spinco or any other member of the Spinco Group, neither L-3 nor any other member of the L-3 Group nor any agent or advisor thereof shall have any duty to communicate or present such corporate opportunity to Spinco or any other member of the Spinco Group and shall not be liable to Spinco or any other member of the Spinco Group or to Spinco's post-Distribution stockholders for breach of any fiduciary duty by reason of the fact that L-3 or any other member of the L-3 Group pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another Person or entity, or does not present such corporate opportunity to Spinco or any other member of the Spinco Group.

(e) In the event that Spinco or any other member of the Spinco Group acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both L-3 or any other member of the L-3 Group and Spinco or any other member of the Spinco Group, neither Spinco nor any other member of the Spinco Group nor any agent or advisor thereof shall have any duty to communicate or present such corporate opportunity to L-3 or any other member of the L-3 Group and shall not be liable to L-3 or any other member of the L-3 Group or to L-3's stockholders for breach of any fiduciary duty by reason of the fact that Spinco or any other member of the Spinco Group pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another Person or entity, or does not present such corporate opportunity to L-3 or any other member of the L-3 Group.

(f) For the purposes of this Section 4.07, “corporate opportunities” of Spinco or any other member of the Spinco Group shall include, but not be limited to, business opportunities (i) that Spinco or any other member of the Spinco Group is financially able to undertake, (ii) that are, by their nature, in a line of business of Spinco or any other member of the Spinco Group, including the Spinco Business, (iii) that are of practical advantage to Spinco or any other member of the Spinco Group, (iv) in which Spinco or any other member of the Spinco Group has an interest or a reasonable expectancy and (v) in which, by embracing the opportunities, Spinco or any other member of the Spinco Group will cause the self-interest of L-3 or any other member of the L-3 Group or any of their officers or directors to be brought into conflict with that of Spinco or any other member of the Spinco Group, and “corporate opportunities” of L-3 or any other member of the L-3 Group shall include, but not be limited to, business opportunities (i) that L-3 or any other member of the L-3 Group is financially able to undertake, (ii) that are, by their nature, in a line of business of L-3 or any other member of the L-3 Group, (iii) that are of practical advantage to L-3 or any other member of the L-3 Group, (iv) in which L-3 or any other member of the L-3 Group have an interest or a reasonable expectancy and (v) in which, by embracing the opportunities, L-3 or any other member of the L-3 Group will cause the self-interest of Spinco or any other member of the Spinco Group or any of their officers or directors to be brought into conflict with that of L-3 or any other member of the L-3 Group.

Section 4.08 Right of Offset.

(a) To the extent L-3 or any other member of the L-3 Group has the obligation to pay any amounts hereunder, including under the provisions of Article VI, or under any Ancillary Agreement (other than the Transition Services Agreement) or under any other arrangement between any member of the L-3 Group and Spinco or any other member of the Spinco Group, then following notice of such proposed offset L-3 may satisfy such amounts out of and shall have a right of off-set against any amounts then currently due from Spinco or any other member of the Spinco Group to L-3 or any other member of the L-3 Group hereunder or thereunder. The Parties shall conduct a final accounting for such amounts within 90 days of the Distribution Date, and related payments required to be made by either Spinco or L-3 to the extent the amounts determined by such final accounting are higher or lower, respectively, than L-3’s estimate shall be made not later than 120 days after the Distribution Date.

(b) To the extent Spinco or any other member of the Spinco Group has the obligation to pay any amounts hereunder, including under the provisions of Article VI, or under any Ancillary Agreement (other than the Transition Services Agreement) or under any other arrangement between any member of the Spinco Group and L-3 or any other member of the L-3 Group, then following notice of such proposed offset Spinco may satisfy such amounts out of and shall have a right of off-set against any amounts then currently due from L-3 or any other member of the L-3 Group to Spinco or any other member of the Spinco Group hereunder or thereunder. The parties shall conduct a final accounting for such amounts within 90 days of the Distribution Date, and related payments required to be made by either Spinco or L-3 to the extent the amounts determined by such final accounting are higher or lower, respectively, than Spinco’s estimate shall be made not later than 120 days after the Distribution Date.

ARTICLE V
LITIGATION MATTERS

Section 5.01 Case Allocation.

(a) As of the Distribution Date, Spinco shall, and, as applicable, shall cause the other members of the Spinco Group to (i) diligently conduct, at its sole cost and expense, the defense of the Spinco Actions, including the Spinco Actions listed on Schedule 5.01(a) and any applicable future Spinco Actions; (ii) notify L-3 of material litigation developments related to the Spinco Actions; and (iii) agree not to file any cross claim or institute separate legal proceedings against L-3 in relation to the Spinco Actions.

(b) As of the Distribution Date, L-3 shall, and, as applicable, shall cause the other members of the L-3 Group to (i) diligently conduct, at its sole cost and expense, the defense of the L-3 Actions, including the L-3 Actions listed on Schedule 5.01(b) and any applicable future L-3 Actions; (ii) notify Spinco of material litigation developments related to the L-3 Actions; and (iii) agree not to file any cross claim or institute separate legal proceedings against Spinco in relation to the L-3 Actions.

(c) Notwithstanding anything in this Section 5.01 to the contrary, L-3 shall have the right to participate in the defense of any Spinco Action and to be represented by attorneys of its own choosing and at its sole cost and expense.

(d) Spinco shall indemnify and hold harmless L-3 and other members of the L-3 Group against Liabilities arising in connection with Spinco Actions, and L-3 shall indemnify and hold harmless Spinco and other members of the Spinco Group against Liabilities arising in connection with L-3 Actions, in each case, in accordance with the indemnification provisions of Article VI, except that the L-3 Group shall remain solely liable for its costs of responding to discovery requests for the Spinco Actions, but not any other Liabilities in connection with such Spinco Actions, including as a result of any decisions or award of a Governmental Entity or arbitrator or settlement in respect thereof.

(e) As of the Distribution Date, L-3 shall, and, as applicable, shall cause the other members of the L-3 Group to (i) diligently conduct the defense of the Joint Actions, including the Joint Actions listed on Schedule 5.01(e) and any applicable future Joint Actions; (ii) notify Spinco of material litigation developments related to the Joint Actions; and (iii) agree not to file any cross claim or institute separate legal proceedings against Spinco in relation to the Joint Actions; provided, that if it becomes clear that a Joint Action relates primarily to the Spinco Business then from and after such time such Joint Action shall instead be deemed to be a Spinco Action subject to Section 5.01(a) above, and Spinco shall promptly reimburse L-3 for any costs or expenses incurred by L-3 in connection with such Joint Action pursuant to Section 5.01(f); provided, further, that if it becomes clear that a Joint Action does not relate primarily to the Spinco Business then from and after such time such Joint Action shall instead be deemed to be an L-3 Action subject to Section 5.01(b) above, and L-3 shall promptly reimburse Spinco for any costs or expenses incurred by Spinco in connection with such Joint Action pursuant to Section 5.01(f). L-3 and Spinco shall regularly meet to review and discuss the progress of the Joint Actions and the classification thereof. In addition, Spinco shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement of any Joint Action, at its own expense.

(f) Until such time as the respective Liabilities of the members of the L-3 Group and Spinco Group are determined in connection with any Joint Action, L-3 and Spinco shall each pay 50% of the costs and expenses associated with the defense of such Joint Action. The Parties agree that, to effect the foregoing sharing arrangement, counsel in connection with any Joint Action shall be instructed to render separate bills to L-3 and to Spinco. In the event that either Party pays any costs or expenses that are the

responsibility of the other Party hereunder (including any costs or expenses paid by either Party in connection with a Joint Action pursuant to the first sentence of this Section 5.01(f), which Joint Action is subsequently deemed to be a Spinco Action or L-3 Action, as the case may be), the responsible Party shall promptly reimburse the other Party for such amounts. Spinco shall have the right to employ separate counsel to represent it and members of the Spinco Group if Spinco shall have reasonably concluded that there may be a legal defense available to members of the Spinco Group that are different from or in addition to those available to L-3 or representation of both L-3 (or any member of the L-3 Group) and Spinco (or any member of the Spinco Group) by the same counsel would be inappropriate due to actual or potential differing interests between them, in which case fees and expenses of such counsel incurred by Spinco shall be included in the amounts allocated by the immediately following sentence of this Section 5.01(f). Upon the determination of Liability of the members of the L-3 Group and Spinco Group in connection with any Joint Action, Spinco shall indemnify and hold harmless L-3 and other members of the L-3 Group against the portion of such Liabilities relating primarily to the Spinco Business, and L-3 shall indemnify and hold harmless Spinco and other members of the Spinco Group against the portion of such Liabilities relating primarily to the L-3 Business, including, in each case, the costs and expenses associated with the defense of such Joint Action since the beginning of such Joint Action, which shall be allocated between L-3 and Spinco in proportion to the Liability with respect to such Joint Action of members of the L-3 Group, on the one hand, and members of the Spinco Group, on the other hand; provided, that in the event the respective Liabilities of the members of the L-3 Group and Spinco Group are unable to be determined with respect to any Joint Action, 50% shall be deemed to be allocated to each of the L-3 Group and Spinco Group. Indemnification pursuant to this Section 5.01(f) shall be in accordance with the indemnification provisions of Article VI.

Section 5.02 Litigation Cooperation.

(a) Each of L-3 and Spinco agrees that at all times from and after the Effective Time, if an Action currently exists or is commenced by a third-party with respect to which a Party (or any member of such Party's respective Group) is a named defendant but such Action is otherwise not a Liability allocated to such named Party under this Agreement or any Ancillary Agreement, then the other Party shall use commercially reasonable efforts to cause the named but not liable defendant to be removed from such Action and such defendant shall not be required to make any payments or contribution in connection therewith.

(b) If, in the case of any Action involving a matter contemplated by Section 5.01, there is believed to be a conflict of interest between the Parties, or in the event that any Third Party Claim seeks equitable relief which would restrict or limit the future conduct of the non-responsible Party or such Party's business or operations, such Party shall be entitled to retain, at the responsible Party's expense, separate counsel as required by the applicable rules of professional conduct (which counsel shall be reasonably acceptable to the responsible Party) and to participate in (but not control) the defense, compromise or settlement of that portion of the Action where there is believed to be a conflict of interest or the Third Party Claim that seeks equitable relief with respect to the named Party.

(c) L-3 and Spinco shall each use commercially reasonable efforts to make available to the other, upon written request, its officers, directors, employees and agents, and the officers, directors, employees and agents of its subsidiaries, as witnesses to the extent that such individuals may reasonably be required in connection with any legal, administrative or other proceedings arising out of the business of the other, or of any entity that is part of the other Party's Group in which the requesting Party or a member of its Group may be involved. The requesting Party shall bear all out-of-pocket expenses in connection therewith. On and after the Effective Time, in connection with any matter contemplated by this Section 5.02(c), the Parties will maintain any attorney-client privilege or work product immunity of any member of any Group as required by this Agreement or any Ancillary Agreement.

ARTICLE VI
RELEASE AND INDEMNIFICATION

Section 6.01 Release of Pre-Distribution Claims.

(a) Except (i) as provided in Section 6.01(b), (ii) as may be otherwise expressly provided in this Agreement or in any Ancillary Agreement and (iii) for any matter for which a Party is entitled to indemnification pursuant to this Article VI, each Party (A) for itself and each member of its respective Group, their respective Affiliates as of the Effective Time and all Persons who at any time prior to the Effective Time were directors, officers, agents or employees of any member of their Group (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, does hereby remise, release and forever discharge the other Party and the other members of such other Party's Group, their respective Affiliates and all Persons who at any time prior to the Effective Time were shareholders, directors, officers, officers, agents or employees of any member of such other Party (in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any contract, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time, including in connection with all activities to implement the Distribution and any of the other transactions contemplated hereunder and under the Ancillary Agreements and (B) in any event will not, and will cause its respective subsidiaries not to, bring any Action or claim against any member of the other Group in respect of any such Liabilities.

(b) Nothing contained in Section 6.01(a), Section 9.01(a) or Section 9.01(b) shall impair or otherwise affect any right of any Party and, as applicable, a member of such Party's Group, to enforce this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings contemplated in this Agreement or in any Ancillary Agreement to continue in effect after the Effective Time. In addition, nothing contained in Section 6.01(a) shall release any Person from:

(i) any Liability assumed, transferred or allocated to a Party or a member of such Party's Group pursuant to or contemplated by, or any other Liability of any member of such Group under, this Agreement or any Ancillary Agreement, including (A) with respect to L-3, any L-3 Liability or (B) with respect to Spinco, any Spinco Liability;

(ii) any Liability for the sale, lease, construction, manufacture or receipt of goods, property or services purchased, obtained or used in the ordinary course of business by a member of one Group from or on behalf of a member of the other Group prior to the Effective Time;

(iii) any Liability provided in or resulting from any other contract or understanding that is entered into after the Effective Time between a Party (and/or a member of such Party's Group), on the one hand, and the other Party (and/or a member of such other Party's Group), on the other hand;

(iv) any Liability that the Parties may have with respect to indemnification pursuant to this Agreement or otherwise for claims brought against the Parties by third-parties, which Liability shall be governed by the provisions of this Agreement and, in particular, this Article VI and, if applicable, the appropriate provisions of the Ancillary Agreements; and

(v) any Liability the release of which would result in the release of any Person not otherwise intended to be released pursuant to this Section 6.01.

(c) Each Party shall not, and shall not permit any member of its Group to, make any claim, demand or offset, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against the other Party or any member of such other Party's Group, or any other Person released pursuant to Section 6.01(a), with respect to any Liabilities released pursuant to Section 6.01(a).

(d) It is the intent of each Party, by virtue of the provisions of this Section 6.01, to provide, to the fullest extent permitted by applicable Law, for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed at or before the Effective Time, whether known or unknown, between or among any Party (and/or a member of such Party's Group), on the one hand, and the other Party (and/or a member of such other Party's Group), on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members at or before the Effective Time), except as specifically set forth in Section 6.01(a) and Section 6.01(b). At any time, at the reasonable request of the other Party, each Party shall cause each member of its respective Group and, to the fullest extent practicable, each other Person on whose behalf it released Liabilities pursuant to this Section 6.01, to execute and deliver releases, to the fullest extent permitted by applicable Law, reflecting the provisions hereof.

Section 6.02 Spinco Indemnification of the L-3 Group. On and after the Distribution Date, Spinco shall indemnify, defend and hold harmless each member of the L-3 Group, and each of their respective directors, officers, employees and agents (the "L-3 Indemnitees") from and against any and all Indemnifiable Losses incurred or suffered by any of the L-3 Indemnitees and arising out of, or due to (a) the failure of Spinco or any member of the Spinco Group to pay, perform or otherwise discharge, any of the Spinco Liabilities, (b) any untrue statement or alleged untrue statement of any material fact contained in the preliminary or final Form 10, the preliminary or final Information Statement or any amendment or supplement thereto or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (other than the Information about L-3 included in the sections of the Information Statement entitled "Summary—Summary of the Spin-Off," and "The Spin-Off," or any amendment or supplement thereto), excluding Information in the Information Statement regarding whether the Distribution is taxable and (c) any breach by Spinco or any member of the Spinco Group of this Agreement; provided, that Spinco shall have no obligation to indemnify L-3 or any other member of the L-3 Group with respect to any matter to the extent that such party has engaged in any knowing violation of Law, fraud or misrepresentation in connection therewith.

Section 6.03 L-3 Indemnification of Spinco Group. On and after the Distribution Date, L-3 shall indemnify, defend and hold harmless each member of the Spinco Group and each of their respective directors, officers, employees and agents (the "Spinco Indemnitees") from and against any and all Indemnifiable Losses incurred or suffered by any of the Spinco Indemnitees and arising out of, or due to (a) the failure of L-3 or any member of the L-3 Group to pay, perform or otherwise discharge, any of the L-3 Liabilities, (b) any untrue statement or alleged untrue statement of any material fact regarding L-3 included in the sections of the Information Statement entitled "Summary—Summary of the Spin-Off," and "The Spin-Off," or any amendment or supplement thereto or the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading and (c) any breach by L-3 or any member of the L-3 Group of this Agreement; provided, that L-3 shall have no obligation to indemnify Spinco or any other member of the Spinco Group with respect to any matter to the extent that such party has engaged in any knowing violation of Law, fraud or misrepresentation in connection therewith.

Section 6.04 Contribution. In circumstances in which the indemnity agreements provided for in Section 6.02 and Section 6.03 are unavailable or insufficient, for any reason, to hold harmless an

indemnified party in respect of any Indemnifiable Losses arising thereunder, each indemnifying party, in order to provide for just and equitable contribution, shall contribute to the amount paid or payable by such indemnified party as a result of such Indemnifiable Losses, in proportion to the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions or alleged statements or omissions that resulted in such Indemnifiable Losses, as well as any other relevant equitable considerations. The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to Information supplied by Spinco or L-3, the Parties' relative intents, knowledge, access to Information and opportunity to correct or prevent such statement or omission, and any other equitable considerations appropriate in the circumstances.

Section 6.05 Insurance and Third Party Obligations. No insurer or any other third-party shall be, by virtue of the foregoing indemnification provisions (a) entitled to a benefit it would not be entitled to receive in the absence of such provisions, (b) relieved of the responsibility to pay any claims to which it is obligated or (c) entitled to any subrogation rights with respect to any obligation hereunder.

Section 6.06 Indemnification Obligations Net of Insurance Proceeds and Other Amounts on a Net Tax Benefit Basis.

(a) Any Liability subject to indemnification or contribution pursuant to this Article VI will be (i) net of Insurance Proceeds that actually reduce the amount of the Liability, (ii) net of any proceeds received by an Indemnified Party from any third-party for indemnification for such Liability that actually reduce the amount of the Liability ("Third Party Proceeds"), (iii) reduced by any Tax benefit actually realized by the Indemnified Party (calculated on a with and without basis) arising from the incurrence or payment of any such Liability and (iv) increased by any Tax detriment actually incurred by the Indemnified Party (calculated on a with and without basis) as a result of the receipt or accrual of the Indemnity Payment (as defined below) in respect of such Liability. Accordingly, the amount which any Indemnifying Party is required to pay pursuant to this Article VI to any Indemnified Party will be reduced by any Insurance Proceeds, Tax benefits actually realized or Third Party Proceeds theretofore actually recovered by or on behalf of the Indemnified Party in respect of the related Liability, and shall be increased by any Tax detriments actually incurred. If an Indemnified Party receives a payment required by this Agreement from an Indemnifying Party in respect of any Liability (an "Indemnity Payment") and subsequently receives Insurance Proceeds or Third Party Proceeds, then the Indemnified Party will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds or Third Party Proceeds had been received, realized or recovered before the Indemnity Payment was made. If a Tax benefit or Tax detriment is actually realized or incurred after the payment of any Indemnity Payment hereunder, the Indemnified or Indemnifying Party, as the case may be, shall pay to the other the amount of any such Tax benefit or Tax detriment when actually realized or incurred. Adjustments will be made if any such Tax benefits are disallowed or such Tax detriments are not ultimately incurred.

(b) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification and contribution provisions hereof, have any subrogation rights with respect thereto. The Indemnified Party shall use commercially reasonable efforts to seek to collect or recover any third-party Insurance Proceeds and any Third Party Proceeds to which the Indemnified Party is entitled in connection with any Liability for which the Indemnified Party seeks contribution or indemnification pursuant to this Article VI; provided, that the Indemnified Party's inability to collect or recover any such Insurance Proceeds or Third Party Proceeds shall not limit the Indemnifying Party's obligations hereunder.

Section 6.07 Notice and Payment of Claims. If any L-3 Indemnitee or Spinco Indemnitee (the "Indemnified Party") determines that it is or may be entitled to indemnification by a Party (the "Indemnifying Party") under this Article VI (other than in connection with any Action or claim subject to Section 6.08), the Indemnified Party shall promptly deliver to the Indemnifying Party a written notice specifying, to the extent reasonably practicable, the basis for its claim for indemnification and the amount for which the Indemnified Party reasonably believes it is entitled to be indemnified; provided, that the failure of the Indemnified Party to provide such written notice shall not relieve the Indemnifying Party of its obligations under this Agreement, except to the extent that the Indemnifying Party is prejudiced by such failure to give notice.

Section 6.08 Notice and Defense of Third Party Claims. Promptly following the earlier of (a) receipt of notice of the commencement by a third-party of any Third Party Claim or (b) receipt of Information from a third-party alleging the existence of a Third Party Claim, the Indemnified Party shall give the Indemnifying Party written notice thereof. The failure of the Indemnified Party to give notice as provided in this Section 6.08 shall not relieve the Indemnifying Party of its obligations under this Agreement, except to the extent that the Indemnifying Party is prejudiced by such failure to give notice. The Indemnifying Party may, at its option, by giving written notice thereof to the Indemnified Party acknowledging, as between the Parties, Liability for such Third Party Claim, elect to assume the defense of such Third Party Claim at its sole cost and expense; provided, that the Indemnifying Party shall not be entitled to assume the defense of any Third Party Claim to the extent such Third Party Claim (i) is an allegation of a criminal violation or (ii) seeks injunctive relief against the L-3 Indemnitee or Spinco Indemnitee, as the case may be. Any contest of a Third Party Claim as to which the Indemnifying Party has elected to assume the defense shall be conducted by attorneys employed by the Indemnifying Party and reasonably satisfactory to the Indemnified Party; provided, that the Indemnified Party shall have the right to participate in such proceedings and to be represented by attorneys of its own choosing at the Indemnified Party's sole cost and expense; provided, further, that in the event of a conflict of interest between the Indemnifying Party and the Indemnified Party, the Indemnified Party shall be entitled to retain, at the Indemnifying Party's expense, separate counsel as required by the applicable rules of professional conduct with respect to such matter. If the Indemnifying Party assumes the defense of a Third Party Claim, the Indemnifying Party may settle or compromise the claim without the prior written consent of the Indemnified Party; provided, that the Indemnifying Party may not agree to any such settlement pursuant to which any remedy or relief, other than monetary damages for which the Indemnifying Party shall be responsible hereunder, shall be applied to or against the Indemnified Party, without the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, conditioned or delayed. If the Indemnifying Party does not assume the defense of a Third Party Claim for which it has acknowledged Liability for indemnification under Article VI, the Indemnified Party may require the Indemnifying Party to reimburse it on a current basis for its reasonable expenses of investigation, reasonable attorneys' fees and reasonable out-of-pocket expenses incurred in defending against such Third Party Claim, and the Indemnifying Party shall be bound by the result obtained with respect thereto by the Indemnified Party; provided, that the Indemnifying Party shall not be liable for any settlement effected without its consent, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 6.09 Indemnification Payments. Indemnification required by this Article VI shall be made by periodic payments of the amount thereof in a timely fashion during the course of the investigation or defense, as and when bills are received or an Indemnifiable Loss incurred; provided, that the Indemnifying Party shall pay to the Indemnified Party in cash the amount for which the Indemnified Party is entitled to be indemnified (if any) within 15 days after the final resolution of any Third Party Claim (whether by the final nonappealable judgment of a court of competent jurisdiction or otherwise), or, in the case of any Third Party Claim as to which the Indemnifying Party has not acknowledged Liability, within 30 days after such Indemnifying Party's objection has been resolved by settlement, compromise or the final nonappealable judgment of a court of competent jurisdiction.

ARTICLE VII
EMPLOYEE MATTERS

Section 7.01 Employee Matters Agreement. All matters relating to or arising out of any employee benefit, compensation or welfare arrangement in respect of any present and former employee of the L-3 Group or the Spinco Group shall be governed by the Employee Matters Agreement, except as may be expressly stated herein. In the event of any inconsistency with respect to such matters between the Employee Matters Agreement and this Agreement or any Ancillary Agreement, the Employee Matters Agreement shall govern to the extent of the inconsistency.

ARTICLE VIII
TAX MATTERS

Section 8.01 Tax Matters Agreement. All matters relating to Taxes shall be governed exclusively by the Tax Matters Agreement, except as may be expressly stated herein. In the event of any inconsistency with respect to such matters between the Tax Matters Agreement and this Agreement or any Ancillary Agreement, the Tax Matters Agreement shall govern to the extent of the inconsistency.

ARTICLE IX
ACCOUNTING MATTERS

Section 9.01 Intercompany Accounts.

(a) Each Intercompany Account outstanding immediately prior to the Effective Time, in any general ledger account of L-3, Spinco or any of their respective Affiliates, other than those set forth on Schedule 9.01(a), shall be satisfied and/or settled by the relevant members of the L-3 Group and the Spinco Group no later than the Effective Time by (i) forgiveness by the relevant obligor, (ii) one or a related series of distributions of capital or (iii) non-cash intercompany transfer and settlement through L-3's corporate procedures, in each case as agreed to by the Parties.

(b) Each such Intercompany Account set forth on Schedule 9.01(a) shall continue to be outstanding after the Effective Time and thereafter (i) shall be an obligation of the relevant Party (or the relevant member of such Party's Group), each responsible for fulfilling its (or a member of such Party's Group's) obligations in accordance with the terms and conditions applicable to such obligation, and (ii) shall be for each relevant Party (or the relevant member of such Party's Group) an obligation to a third-party and shall no longer be an Intercompany Account.

ARTICLE X
TRANSITION SERVICES

Section 10.01 Transition Services Agreement. All matters relating to the provision of support and other services by the L-3 Group to the Spinco Group after the Effective Time covered by the Transition Services Agreement shall be governed exclusively by the Transition Services Agreements, except as may be expressly stated herein. In the event of any inconsistency with respect to such matters between the Transition Services Agreement and this Agreement or any Ancillary Agreement, the Transition Services Agreement shall govern to the extent of the inconsistency.

ARTICLE XI
INFORMATION; SEPARATION OF DATA

Section 11.01 Provision of Corporate Records. As soon as practicable following the Effective Time, L-3 and Spinco shall each arrange for the provision to the other of existing Records in its possession relating to the other Party or its business and affairs or to any other entity that is part of such other Party's respective Group or to the business and affairs of such other entity.

Section 11.02 Access to Information. From and after the Effective Time, L-3 and Spinco shall each afford the other and its accountants, counsel and other designated representatives reasonable access (including using commercially reasonable efforts to give access to Persons possessing Information) and duplicating rights during normal business hours to all Records in its possession relating to the business and affairs of the other Party or a member of its Group (other than data and Information subject to an attorney/client or other privilege), insofar as such access is reasonably required by the other including, without limitation, for audit, accounting, regulatory and litigation purposes.

Section 11.03 Confidentiality.

(a) Notwithstanding any termination of this Agreement, the Parties shall hold, and shall cause each of their respective subsidiaries to hold, and shall each cause their respective officers, employees, agents, consultants and advisors to hold, in strict confidence, and not to disclose or release or use, for any ongoing or future commercial purpose, without the prior written consent of the other Party, any and all Confidential Information concerning the other Party; provided, that the Parties may disclose, or may permit disclosure of, Confidential Information (i) to their respective auditors, attorneys, financial advisors, bankers and other appropriate consultants and advisors who have a need to know such information for auditing and other non-commercial purposes and are informed of their obligation to, and agree to, hold such Confidential Information confidential to the same extent as is applicable to the Parties and in respect of whose failure to comply with such obligations, the applicable Party will be responsible, (ii) if the Parties or any of their respective subsidiaries are required or compelled to disclose any such Confidential Information by judicial or administrative process or by other requirements of Law or stock exchange rule, (iii) as required in connection with any legal or other proceeding by one Party against the other Party or (iv) as necessary in order to permit a Party to prepare and disclose its financial statements, or other required disclosures; provided, further, that each Party (and members of its Group as necessary) may use, or may permit use of, Confidential Information of the other Party in connection with such first Party performing its obligations, or exercising its rights, under this Agreement or any Ancillary Agreement. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (iii) above, each Party, as applicable and to the extent not prohibited by any applicable Laws, shall promptly notify the other of the existence of such request or demand and shall provide the other a reasonable opportunity to seek an appropriate protective order or other remedy, which such Parties will reasonably cooperate in obtaining. In the event that such appropriate protective order or other remedy is not obtained, the Party whose Confidential Information is required to be disclosed shall or shall cause the other Party to furnish, or cause to be furnished, only that portion of the Confidential Information that is legally required to be disclosed and shall take commercially reasonable steps to ensure that confidential treatment is accorded such information.

(b) Notwithstanding anything to the contrary set forth herein (i) the Parties shall be deemed to have satisfied their obligations hereunder with respect to Confidential Information if they exercise the same degree of care (but no less than a reasonable degree of care) as they take to preserve confidentiality for their own similar Information and (ii) confidentiality obligations provided for in any agreement between each Party or its subsidiaries and their respective employees shall remain in full force and effect. Notwithstanding anything to the contrary set forth herein, Confidential Information of any Party in the

possession of and used by the other Party as of the Effective Time may continue to be used by such Party in possession of the Confidential Information in and only in the operation of its business (*i.e.*, the L-3 Business or the Spinco Business, as the case may be); provided, that such Confidential Information may be used only so long as the Confidential Information is maintained in confidence and not disclosed in violation of Section 11.03(a). Such continued right to use may not be transferred (directly or indirectly) to any third-party without the prior written consent of the applicable Party, except pursuant to Section 13.05(a).

(c) Each Party acknowledges that it and the other members of its Group may have in their possession confidential or proprietary Information of third-parties that was received under confidentiality or non-disclosure agreements with such third-party prior to the Effective Time. Such Party will hold, and will cause the other members of its Group and their respective representatives to hold, in strict confidence the confidential and proprietary Information of third-parties to which they or any other member of their respective Groups has access, in accordance with the terms of any agreements entered into prior to the Effective Time between one or more members of the such Party's Group (whether acting through, on behalf of, or in connection with, the separated businesses) and such third-parties.

(d) Upon the written request of a Party, the other Party shall promptly (i) deliver to such requesting Party all original Confidential Information (whether written or electronic) concerning such requesting Party and/or its subsidiaries and (ii) if requested in writing by such requesting Party, destroy any copies of such Confidential Information (including any extracts there from). Upon the written request of such requesting Party, the other Party shall cause one of its duly authorized officers to certify in writing to such requesting Party that the requirements of the preceding sentence have been satisfied in full.

Section 11.04 Privileged Matters.

(a) The Parties recognize that legal and other professional services that have been and will be provided prior to the Effective Time have been and will be rendered for the collective benefit of each of the members of the L-3 Group and the Spinco Group, and that each of the members of the L-3 Group and the Spinco Group should be deemed to be the client with respect to such pre-separation services for the purposes of asserting all privileges which may be asserted under applicable Law.

(b) The Parties recognize that legal and other professional services will be provided following the Effective Time which will be rendered solely for the benefit of L-3 or Spinco, as the case may be. With respect to such post-separation services, the Parties agree as follows:

(i) L-3 shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged Information which relates solely to the L-3 Business, whether or not the privileged Information is in the possession of or under the control of L-3 or Spinco. L-3 shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged Information that relates solely to the subject matter of any claims constituting L-3 Liabilities, now pending or which may be asserted in the future, in any lawsuits or other proceedings initiated against or by L-3, whether or not the privileged Information is in the possession of or under the control of L-3 or Spinco; and

(ii) Spinco shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged Information which relates solely to the Spinco Business, whether or not the privileged Information is in the possession of or under the control of L-3 or Spinco. Spinco shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged Information that relates solely to the subject matter of any claims constituting Spinco Liabilities, now pending or which may be asserted in the future, in any lawsuits or other proceedings initiated against or by Spinco, whether or not the privileged Information is in the possession of or under the control of L-3 or Spinco.

(c) The Parties agree that they shall have a shared privilege, with equal right to assert or waive, subject to the restrictions in this Section 11.04, with respect to all privileges not allocated pursuant to the terms of Section 11.04(b). All privileges relating to any claims, proceedings, litigation, disputes or other matters which involve both L-3 and Spinco in respect of which both Parties retain any responsibility or Liability under this Agreement, shall be subject to a shared privilege among them.

(d) No Party may waive any privilege which could be asserted under any applicable Law, and in which any other Party has a shared privilege, without the consent of the other Party, which shall not be unreasonably withheld or delayed or as provided in Section 11.04(e) or Section 11.04(f) below. Consent shall be in writing, or shall be deemed to be granted unless written objection is made within 20 days after notice upon the other Party requesting such consent. Each Party shall use its reasonable best efforts to preserve any privilege held by the other Party if that privilege is a shared privilege or has been allocated to the other Party pursuant to Section 11.04(b).

(e) In the event of any litigation or dispute between or among the Parties, or any members of their respective Groups, either such Party may waive a privilege in which the other Party or member of such Group has a shared privilege, without obtaining the consent of the other Party; provided, that such waiver of a shared privilege shall be effective only as to the use of Information with respect to the litigation or dispute between the relevant Parties and/or the applicable members of their respective Groups, and shall not operate as a waiver of the shared privilege with respect to third-parties.

(f) If a dispute arises between the Parties or their respective subsidiaries regarding whether a privilege should be waived to protect or advance the interest of either Party, each Party agrees that it shall negotiate in good faith, shall endeavor to minimize any prejudice to the rights of the other Party, and shall not unreasonably withhold consent to any request for waiver by the other Party. Each Party specifically agrees that it will not withhold consent to waiver for any purpose except to protect its own legitimate interests.

(g) Upon receipt by either Party or by any subsidiary thereof of any subpoena, discovery or other request which arguably calls for the production or disclosure of Information subject to a shared privilege or as to which the other Party has the sole right hereunder to assert a privilege, or if either Party obtains knowledge that any of its or any of its subsidiaries' current or former directors, officers, agents or employees have received any subpoena, discovery or other requests which arguably calls for the production or disclosure of such privileged Information, such Party shall promptly notify the other Party of the existence of the request and shall provide the other Party a reasonable opportunity to review the Information and to assert any rights it or they may have under this Section 11.04 or otherwise to prevent the production or disclosure of such privileged Information.

(h) The transfer of all Information pursuant to this Agreement is made in reliance on the agreement of L-3 and Spinco as set forth in Section 11.03 and Section 11.04 to maintain the confidentiality of privileged Information and to assert and maintain all applicable privileges. Nothing provided for herein or in any Ancillary Agreement shall be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise.

Section 11.05 Ownership of Information. Any Information owned by one Party or any of its subsidiaries that is provided to a requesting Party pursuant to Article VI, Article XIII or this Article XI shall be deemed to remain the property of the providing Party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

Section 11.06 Separation of Data. Spinco acknowledges and agrees that L-3 may, after the Effective Time, delete or cause to be deleted any Information which either does or does not relate to the Spinco Business which is contained in, stored in or accessible through any Software provided to Spinco under the Transition Services Agreement or otherwise. The foregoing will not be deemed to be a violation of any provision of this Agreement or the Transition Services Agreement. The provisions of Section 11.03 apply to Spinco's use of any such Information prior to its deletion.

Section 11.07 Hosting. Spinco agrees that a member of the Spinco Group will house the hardware that is owned by members of the L-3 Group and relates to the technology commonly known as "C4N" for six months after the Effective Time, at no charge to the L-3 Group. The Spinco Group may use such hardware during such time at no charge.

ARTICLE XII INTEREST ON PAYMENTS

Section 12.01 Interest. Except as otherwise expressly provided in this Agreement or an Ancillary Agreement, all payments by one Party to the other under this Agreement or any Ancillary Agreement shall be paid by company check or wire transfer of immediately available funds to an account in the United States designated by the recipient, within 30 days after receipt of an invoice or other written request for payment setting forth the specific amount due and a description of the basis therefor in reasonable detail. Any amount remaining unpaid beyond its due date, including disputed amounts that are ultimately determined to be payable, shall bear interest at a rate of simple interest per annum equal to the Applicable Rate. Notwithstanding anything to the contrary contained herein or in any Ancillary Agreement, in no event shall the amount or rate of interest due and payable exceed the maximum amount or rate of interest allowed by applicable Law and, in the event any such excess payment is made or received, such excess sum shall be credited as a payment of principal (or if no principal shall remain outstanding, shall be refunded).

ARTICLE XIII MISCELLANEOUS

Section 13.01 Expenses.

(a) Except with respect to costs and expenses incurred exclusively or primarily for the benefit of Spinco that are incurred on or after the Distribution Date or as set forth on Schedule 13.01(a) or as specifically provided in this Agreement or any Ancillary Agreement, L-3 shall pay (a) all costs and expenses incurred by L-3 and its subsidiaries prior to the Distribution Date in connection with the spin-off and the transactions contemplated by this Agreement (including, without limitation, the costs and expenses set forth on Schedule 13.01(b), transfer taxes and the fees and expenses of the Distribution Agent and of all counsel, accountants and financial and other advisors), (b) all costs and expenses incurred by L-3 and its subsidiaries prior to the Distribution Date in connection with the preparation, execution, delivery and implementation of this Agreement and the Ancillary Agreements and (c) all legal, filing, accounting, printing and other expenses incurred by L-3 and its subsidiaries prior to the Distribution Date in connection with the preparation, printing and filing of the Form 10 and the Information Statement; and

(b) Except as specifically provided in this Agreement or any Ancillary Agreement, Spinco shall pay (a) all costs and expenses incurred by a member of the Spinco Group after the Distribution Date in connection with the spin-off and the transactions contemplated by this Agreement (including, without limitation, the transfer taxes and the fees and expenses of the Distribution Agent and of all counsel, accountants and financial and other advisors), (b) all costs and expenses incurred by a member of the Spinco Group after the Distribution Date in connection with the preparation, execution, delivery and implementation of this Agreement and the Ancillary Agreements and (c) all legal, filing, accounting, printing and other expenses incurred by a member of the Spinco Group after the Distribution Date in connection with the preparation, printing and filing of the Form 10 and the Information Statement.

Section 13.02 Notices. All notices and communications under this Agreement shall be in writing and shall be deemed to have been given (a) when received, if such notice or communication is delivered by facsimile, hand delivery or overnight courier, and (b) three Business Days after mailing if such notice or communication is sent by United States registered or certified mail, return receipt requested, first class postage prepaid. All notices and communications, to be effective, must be properly addressed to the party to whom the same is directed at its address as follows:

If to L-3, to:

L-3 Communications Holdings, Inc.
600 Third Avenue
New York, New York 10016
Attention: Steven M. Post, General Counsel
Fax: (212) 805-5306

If to Spinco, to:

Engility Holdings, Inc.
3750 Centerview Drive
Chantilly, Virginia 20151
Attention: Tom Miiller, General Counsel
Fax: (703) 708-5703

Either Party may, by written notice delivered to the other Party in accordance with this Section 13.02, change the address to which delivery of any notice shall thereafter be made.

Section 13.03 Amendment and Waiver. This Agreement may not be altered or amended, nor may any rights hereunder be waived, except by an instrument in writing executed by the Party or Parties to be charged with such amendment or waiver. No waiver of any terms, provision or condition of or failure to exercise or delay in exercising any rights or remedies under this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, provision, condition, right or remedy or as a waiver of any other term, provision or condition of this Agreement.

Section 13.04 Entire Agreement. This Agreement, together with the Ancillary Agreements, constitutes the entire understanding of the Parties hereto with respect to the subject matter hereof, superseding all negotiations, prior discussions and prior agreements and understandings relating to such subject matter. To the extent that the provisions of this Agreement are inconsistent with the provisions of any Ancillary Agreement with respect to the subject matter thereof, the provisions of such Ancillary Agreement shall prevail to the extent of the inconsistency.

Section 13.05 Consolidation, Merger, Etc.; Parties in Interest; Termination.

(a) Neither Party (referred to in this Section 13.05(a) as a “Transferring Party”) shall consolidate with or merge into any other entity or convey, transfer or lease all or any substantial portion of its properties and Assets to any entity, unless, in each case, the other party to such transaction expressly assumes, by a written agreement, all of the Liabilities of the Transferring Party under this Agreement and the Ancillary Agreements and the due and punctual performance or observance of every agreement, obligation and covenant of this Agreement and Ancillary Agreements on the part of the Transferring Party to be performed or observed.

(b) Neither of the Parties may assign its rights or delegate any of its duties under this Agreement without the prior written consent of the other Party. This Agreement shall be binding upon, and shall inure to the benefit of, the Parties hereto and their respective successors and permitted assigns. Nothing contained in this Agreement, express or implied, is intended to confer any benefits, rights or remedies upon any Person other than members of the L-3 Group and the Spinco Group and the L-3 Indemnitees and Spinco Indemnitees under Article VI hereof.

(c) This Agreement (including Article VI hereof) may be terminated and the Distribution may be amended, modified or abandoned at any time prior to the Distribution by and in the sole discretion of L-3 without the approval of Spinco or the shareholders of L-3. In the event of such termination, neither Party shall have any liability of any kind arising from such termination to the other Party or any other Person. After the Distribution, this Agreement may not be terminated except by an agreement in writing signed by the Parties; provided, however, that Article VI shall not be terminated or amended after the Distribution in respect of any L-3 Indemnitee or Spinco Indemnitee without the consent of such Person.

Section 13.06 Further Assurances and Consents. In addition to the actions specifically provided for elsewhere in this Agreement, each of the Parties hereto will use commercially reasonable efforts to (a) execute and deliver such further instruments and documents and take such other actions as any other Party may reasonably request in order to effectuate the purposes of this Agreement and to carry out the terms hereof and (b) take, or cause to be taken, all actions, and do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Laws, regulations and agreements or otherwise to consummate and make effective the transactions contemplated by this Agreement, including, without limitation, using commercially reasonable efforts to obtain any consents and approvals, make any filings and applications and remove any liens, claims, equity or other encumbrance on an Asset of the other Party necessary or desirable in order to consummate the transactions contemplated by this Agreement; provided, that no Party shall be obligated to pay any consideration therefor (except for filing fees and other similar charges) to any third-party from whom such consents, approvals and amendments are requested or to take any action or omit to take any action if the taking of or the omission to take such action would be unreasonably burdensome to the Party or its Group or the business thereof.

Section 13.07 Severability. In the event that any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and the Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 13.08 Governing Law; Jurisdiction. This Agreement shall be construed in accordance with, and governed by, the laws of the State of New York, without regard to the conflicts of law rules of such state. Each of the Parties (a) consents to submit itself to the personal jurisdiction of the courts of the State of New York or any federal court with subject matter jurisdiction located in the Southern District of New York (and any appeals court therefrom) in the event any dispute arises out of this Agreement or any Ancillary Agreement or any transaction contemplated hereby or thereby, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any Ancillary Agreement or any transaction contemplated hereby or thereby in any court other than such courts.

Section 13.09 Waiver of Jury Trial. EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 13.09.

Section 13.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same Agreement.

Section 13.11 Third Party Beneficiaries. Except as provided in Article VI and except as specifically provided in any Ancillary Agreement, this Agreement is solely for the benefit of the Parties and should not be deemed to confer upon third-parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

Section 13.12 Specific Performance. The Parties agree that irreparable damage would occur in the event that the provisions of this Agreement were not performed in accordance with their specific terms. Accordingly, it is hereby agreed that the Parties shall be entitled to provisional or temporary injunctive relief in accordance therewith in any court of the United States, this being in addition to any other remedy or relief to which they may be entitled.

Section 13.13 Limitations of Liability. Notwithstanding anything in this Agreement to the contrary, no Indemnifying Party shall be liable to an Indemnified Party for any special, indirect, punitive, consequential, exemplary, statutorily-enhanced or similar damages in excess of compensatory damages (provided that any such liability with respect to a Third Party Claim shall be considered direct damages) arising in connection with the transactions contemplated by this Agreement or the Ancillary Agreements.

Section 13.14 Force Majeure. No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement or, unless otherwise expressly provided therein, any Ancillary Agreement, so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (a) notify the other Party of the nature and extent of any such Force Majeure condition and (b) use reasonable best efforts to remove any such causes and resume performance under this Agreement as soon as reasonably practicable.

Section 13.15 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement as of the day and year first above written.

L-3 COMMUNICATIONS HOLDINGS, INC.

By: /s/ Steven M. Post

Name: Steven M. Post

Title: Senior Vice President

ENGLITY HOLDINGS, INC.

By: /s/ Thomas O. Miiller

Name: Thomas O. Miiller

Title: Senior Vice President, General Counsel and Corporate Secretary

[Signature Page to Engility Distribution Agreement]

Capital Stock/Equity Interest L-3 Assets

Hamilton BioVentures, L.P.
Ownership: 3.443%
96.557%

L-3 National Security Solutions, Inc.
Others

Spinco Contracts

1994 Arab Academy for Science and Technology and Maritime Transport (AAST&MT) contract with MPRI, a division of Engility Corporation (formerly L-3 Services, Inc.).

Spinco Copyrights

Software components or subcomponents that are owned by L-3 Communications Corporation and that were specifically designed for use with the Joint Range Extension (JRE) System and used exclusively as part of or in support of the JRE System.

Spinco Group

The members of the Spinco Group are:

Engility Holdings, Inc.
Engility Corporation
Engility Services Inc.¹
Forfeiture Support Associates, LLC
MPRI International Services, Ltd.
Titan Deutschland GmbH
Titan Italia Srl
International Resources Group Ltd.
IRG Systems South Asia Private Limited
Cayenta, Inc.
LinCom Wireless, Inc.
Titan Systems Solutions UK Ltd.
Titan Wireless, Inc.
URS Coleman, LLC

The Engility Group also includes any Affiliates of the forgoing that have outstanding equity securities that are owned, directly or indirectly, by any of the foregoing, except for: (i) L-3 Domestic Holdings, Inc. ("LDHI") and (ii) any Persons that have outstanding equity securities that are owned, directly or indirectly, by LDHI.

¹ To be merged into Engility Corporation on the Distribution Date.

Spinco Liabilities

Any and all Liabilities associated with: (i) the Brink et al v. Xe Holding, LLC, et al litigation; (ii) the Wissam Abdullateff Sa'Eed Al-Quraishi v. Adel Nakhla, L-3 Services, Inc. litigation; and/or (iii) any other past, present and future litigation and/or claims related to or similar to either of the litigations in (i) or (ii) above.

Spinco Liabilities Related to Indebtedness

See Schedule 13.01(a).

Spinco Patents

U.S. PATENT NO.
6,509,730

TITLE
METHOD OF ENVIRONMENTAL
PERFORMANCE MEASUREMENT

INVENTOR
Afsah, Shakeb

FILING DATE
February 26, 2001

Spinco Trademarks

<u>MARK</u>	<u>U.S. SERIAL NO.</u>	<u>FILING DATE</u>
MPRI	75402974	December 10, 1997
ENGILITY	85382392	July 27, 2011
ENGILITY (design)	85382370	July 27, 2011
BENCHMETRIX	75938252	March 8, 2000

Reorganization

1. As of 12:01 a.m. on the Distribution Date, Engility Services Inc. (“ESI”) will merge with and into Engility Corporation (“EC”), with EC being the surviving entity.
2. Engility Corporation (“EC”) will receive cash proceeds of approximately \$335 million in the aggregate from one or more third party financing sources (the “Borrowed Funds”).
3. EC will declare a dividend, consisting of (a) the Borrowed Funds and (b) rights to the net amount of all intercompany receivables due from L-3 Communications Corporation (“L-3 CC”) or its subsidiaries (other than those within the Spinco Group) to L-3 CC.
4. EC will distribute 100 percent of the issued and outstanding shares of L-3 Domestic Holdings, Inc. to L-3 CC.
5. L-3 CC will contribute 100 percent of the issued and outstanding shares of EC and International Resources Group Ltd. (“IRG”) to Engility Holdings, Inc. (“EHI”).
6. EHI will contribute 100 percent of the issued and outstanding shares of IRG to EC.
7. L-3 CC will distribute 100 percent of the issued and outstanding shares of EHI to L-3 Communications Holdings, Inc. (“L-3 Holdings”).
8. As of the Effective Time, L-3 Holdings will distribute to its public shareholders, on a pro rata basis, 100 percent of the issued and outstanding shares of EHI.

Bank Accounts

<u>Bank</u>	<u>Purpose</u>	<u>Account #</u>
Bank of America	A/P	8765315600
Bank of America	A/P	8765315582
Bank of America	Petty Cash - Houston	5746495628
Bank of America	Delta/Lord Jt Venture	3445388203
Bank of America	Petty Cash - Tampa, FL	003668922747
Bank of America	GBP	600828994011
Comerica	Receipts (Lockbox 92206)	1891507293
Comerica	Receipts (Lockbox 51192)	1891946459
Comerica	Receipts (Lockbox 51370)	1891946434
Comerica	Receipts (Lockbox 92303)	1891506709
Washington Mutual	Petty Cash - Pasadena	81771714653

Guaranteed Spinco Liabilities

A. Guaranteed Leases

<u>Property</u>	<u>Guarantor</u>	<u>Tenant</u>
455 Business Center Dr. Horsham, PA	L-3 Communications Corporation	L-3 Communications Titan Corporation
6280 Guardian Gateway Aberdeen Proving Grounds, MD	L-3 Communications Corporation	Engility Corporation
296-300 Concord Road Billerica, MA	L-3 Communications Corporation	The Titan Corporation (original tenant)
1100 Commerce Parkway Mount Laurel, NJ	L-3 Communications Corporation	Engility Corporation
20110 Ashbrook Place Ashburn, VA	L-3 Communications Corporation	Engility Corporation
400 Virginia Avenue, S.W. Washington, DC	L-3 Communications Corporation	Engility Corp.

B. Letter of Credit

<u>Company</u>	<u>Issuing Bank</u>	<u>L/C No.</u>	<u>Program</u>	<u>Beneficiary</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Expiration Date</u>
MPRI	ANZ	SO 7956 / 8200	Kuwait	National Bank of Kuwait (for Kuwait Nat. Guard)	\$600,000	11/23/11	12/1/13

C. Surety Bonds

<u>Client Profile Legal Name</u>	<u>Bond Type and Number(s)</u>	<u>Principal(s)</u>	<u>Individual Surety Liability Amount</u>	<u>Bond Description</u>	<u>State Of Obligation</u>
L-3 Communications Corporation	10BSBFY5345	L-3 Services, Inc. - C2S2	\$ 450,000.00	Performance Bond Contract No.GSS10557-CYBER_SECUR	DE, USA

<u>Obligee(s)</u>	<u>Bond Effective Date</u>	<u>Accumulated Premium for the Term</u>	<u>Surety(s)</u>	<u>Renewal Method</u>
Office of Management and Budget	5/1/2011	1,800.00	Hartford Fire Insurance Company	Continuous - Release Required

Guaranteed L-3 Liabilities

None.

Spinco Insurance

Coverage	Carrier	Limit	Retention
General Liability	National Union Fire Insurance Company	\$2,000,000	\$250,000
Automobile Liability	National Union Fire Insurance Company	\$2,000,000	\$250,000
Workers Compensation/Employers Liability*	New Hampshire Insurance Company	Statutory/\$1,000,000	\$250,000
Defense Base Act *	Zurich American Insurance Company	Statutory	\$0
Defense Base Act - ICITAP	Chartis Ins. Co.	Statutory	\$0
Property	Chartis	\$55,000,000	\$25,000
Professional Liability	ACE American Insurance Company	\$10,000,000	\$250,000
Umbrella	ACE Property and Casualty (Primary)	\$100,000,000	\$0
Directors and Officers Liability		\$75,000,000 and	
	ACE - Primary layer; various excess	\$25,000,000 Side A	\$1M
Employment Practices Liability	Chartis	\$10,000,000	\$500,000/\$1,000,000
Fiduciary	XL	\$10,000,000	\$200,000
Crime	ACE	\$10,000,000	\$150,000
Aircraft Liability	Chartis	\$250,000,000	\$0
Intl General Liability /Automobile/FVWC		\$2,000,000/\$1,000,000/State	
	Zurich American Insurance Company	of Hire & Country of Origin	\$0
Foreign Package - ICITAP		\$2,000,000 GL / \$1,000,000	
	Chartis Ins. Co.	Auto	\$0
Special Crime	Hiscox (Great American)	\$25,000,000	\$0
Employed Lawyers	ACE	\$10,000,000	\$250,000

* Not included in schedule are continuing monopolistic state workers compensation and sole source DBA policies continuing at Business Unit level

Spinco Actions

- Adel Al-Ajeel
- Ahmad Al-Kaysey v. L-3
- ATEMP T/C Claim
- Brian Aryai v. Forfeiture Support Associates, LLC and United States Marshals Service
- EEOC – Abdulkader v. L-3 Communications
- EEOC – Goles v. L-3 Services, Inc.
- EEOC – Hedrick v. L-3 Services, Inc.
- Genocide Victims of Krajina v. L-3 Communications Corp and MPRI, Inc.
- Hallak et al v. L-3 Communications Corporation, et al
- Hermann v. Bowen and L-3
- ICITAP Base Year Audit
- In Re Anas Al-Kasid
- In re John Fridrich
- In re Nina Adib
- In re Rivera
- Jaffa v. MPRI, et al
- Kuwait Disclosure
- Marshall v. Honeywell Technology Systems, Inc. et al
- MPRI Afghan MOD Travel Investigation
- Phillips v. L-3
- PT Mandira
- Raghwani Construction Company
- Yolanda Jordan v. FSA
- STRATIS LOTS In Re Ponytail timesheet investigation
- Brink et al v. Xe Holding, LLC, et al
- Wissam Abdullateff Sa'Eed Al-Quraishi v. Adel Nakhla, L-3 Services, Inc.

L-3 Actions

- In re Hoyos, Inc./SRI Audit (arbitration)
- In re Robert Case (closed)
- In re Shah
- Investigation of 2 ISD/STRATIS contracts re timesheets
- KC BLS – Dept of Commerce Audit
- L-3 National Security Services, Inc. v. Innovative Wireless Technologies, Inc.
- Lilly & Blotzer v. L-3
- NASA OIG Investigation
- Pierce v. LSI and Detric Porter
- Linkabit ASBCA appeal

Joint Actions

None.

Intercompany Accounts

None.

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Pre-Distribution Date Expenses to be Paid by Spinco

- All arrangement fees and upfront fees incurred in connection with the Engility Credit Facilities.
- All rating agency fees related to Engility Corporation, including those in respect of the Engility Credit Facilities and the previously contemplated Engility Senior Notes.
- All legal fees of outside counsel incurred in connection with the Engility Credit Facilities and the previously contemplated Engility Senior Notes, including those of lenders' counsel.
- Advisory fees payable to David Brand in the amount of \$4 million, plus out of pocket expenses not to exceed \$5,000.

Pre-Distribution Date Expenses to be Paid by L-3

Nbr	Date	Description	Balance
06-12	013851	6/29/2012 6/15-BofA-Bank Setup-Engility	379.56
06-12	013851	6/29/2012 6/21-Bank Charge-Engility Setu	133.00
06-12	013851	6/29/2012 6/8 US Dept of State-Engility	2,250.00
06-12	175344	6/26/2012 A/A SIGNS-ENGILITY	4,590.30
02-12	170758	2/14/2012 ACRO PHOTO PRINT-ENGILITY	1,121.52
12-11	168925	12/19/2011 BLOCH GRAUL WHELAN-ENGILITY	26,382.75
02-12	170780	2/14/2012 BLOCH GRAULICH-ENGILITY	17,999.21
10-11	166592	10/14/2011 BLUE WATER MEDIA-ENGILITY	12,373.33
08-11	012762	8/26/2011 BUSINESS WIRE-ENIGILTY SPIN-OF	4,367.50
06-12	175367	6/27/2012 CARDINAL, INC.	1,570.00
06-12	174397	5/30/2012 CERIDIAN-ENGILITY	229.18
06-12	174398	5/30/2012 CERIDIAN-ENGILITY	168,556.50
06-12	174399	5/30/2012 CERIDIAN-ENGILITY	195.00
06-12	174400	5/30/2012 CERIDIAN-ENGILITY	2,592.00
06-12	174401	5/30/2012 CERIDIAN-ENGILITY	27.00
06-12	174402	5/30/2012 CERIDIAN-ENGILITY	1,200.00
06-12	174403	5/30/2012 CERIDIAN-ENGILITY	1,650.00
06-12	174404	5/30/2012 CERIDIAN-ENGILITY	1,200.00
06-12	175307	6/25/2012 CERIDIAN-ENGILITY	511.33
06-12	175308	6/25/2012 CERIDIAN-ENGILITY	30,600.00
04-12	172555	4/5/2012 CISCO IRONPORT SYS-ENGILITY	45,069.47
05-12	173663	5/8/2012 COMPLIANCE & ETHICS-ENGILITY	9,500.00
12-11	169294	1/2/2012 CT CORP SYSTEMS-ENGILITY	495.82
12-11	169295	1/2/2012 CT CORP SYSTEMS-ENGILITY	529.46
12-11	169296	1/2/2012 CT CORP SYSTEMS-ENGILITY	2,647.30
01-12	169784	1/11/2012 CT CORP SYSTEMS-ENGILITY	42.42
02-12	170745	2/14/2012 CT CORP SYSTEMS-ENGILITY	238.00
03-12	172239	3/28/2012 CT CORP SYSTEMS-ENGILITY	26,105.40
03-12	172240	3/28/2012 CT CORP SYSTEMS-ENGILITY	9,932.32
04-12	173105	4/20/2012 DELL MARKETING-ENGILITY	20,979.98
06-12	174772	6/11/2012 DELL MARKETING-ENGILITY	12,391.82
03-12	172233	3/28/2012 DUFF & PHELPS-ENGILITY	60,845.00
06-12	174620	6/7/2012 DUFF & PHELPS-ENGILITY	150,000.00
06-12	175382	6/28/2012 E.PFARN-ENGIL-ORACLE INV #4366	2,100.00
06-12	175568	7/2/2012 ELECTRONIC LAND-ENGILITY-FL	1,900.00
06-12	175567	7/2/2012 ELECTRONIC LAND-ENGILITY-VA	1,900.00
10-11	167052	10/28/2011 ERNST & YOUNG-ENGILITY	83,279.00
06-12	175179	6/20/2012 ERNST & YOUNG-ENGILITY	202,851.63
12-11	168233	12/1/2011 ERNST&YOUNG-10-11/11-ENGILITY	72,621.00
02-12	170682	2/11/2012 ERNST&YOUNG-11-12/11-ENGILITY	524,183.00
03-12	171135	2/27/2012 ERNST&YOUNG-12/11-1/12-ENGILIT	534,285.00
03-12	171764	3/13/2012 ERNST&YOUNG-12/11-2/12-ENGILIT	474,196.00
05-12	173903	5/14/2012 ERNST&YOUNG-2/25-4/27-ENGILITY	315,479.00
12-11	168232	12/1/2011 ERNST&YOUNG-9/11-ENGILITY	62,464.00
06-12	174606	6/7/2012 ETHICSONE NETWORK-ENGILITY	2,000.00
01-12	169563	1/5/2012 ETHICSPPOINT-ENGILITY	16,750.00
06-12	175431	6/28/2012 ETHICSPPOINT-ENGILITY	1,500.00

04-12	172504	4/3/2012	FED EXP CORP-ENGILITY	31.62
12-11	169227	12/28/2011	FROETER DESIGN-ENGILITY	17,606.29
03-12	171643	3/12/2012	FROETER DESIGN-ENGILITY	4,445.00
06-12	175135	6/19/2012	FROETER DESIGN-ENGILITY	7,246.00
06-12	175136	6/19/2012	FROETER DESIGN-ENGILITY	4,722.84
05-12	173610	5/7/2012	FTI CONSULTING-3/12-ENGILITY	4,368.75
05-12	174226	5/23/2012	GKV-ENGILITY	25,000.00
05-12	174227	5/23/2012	GKV-ENGILITY	25,000.00
06-12	175251	6/25/2012	GKV-ENGILITY	6,800.00
03-12	171569	3/9/2012	GROUND ZERO-2/12-ENGILITY	1,087.68
06-12	174505	6/4/2012	GROUND ZERO-5/12-ENGILITY	9,343.70
05-12	173514	5/2/2012	GROUND ZERO-ENGILITY SPIN-OFF	2,274.24
06-12	175207	6/21/2012	INSIGHT DIRECT USA-ENGILITY	16,576.35
04-12	172556	4/5/2012	INSIGHT-ENGILITY	13,108.53
04-12	173104	4/20/2012	INSIGHT-ENGILITY	8,453.06
04-12	173106	4/20/2012	INSIGHT-ENGILITY	17,380.38
04-12	173107	4/20/2012	INSIGHT-ENGILITY	884.42
04-12	173108	4/20/2012	INSIGHT-ENGILITY	36,363.19
04-12	173109	4/20/2012	INSIGHT-ENGILITY	920.83
10-11	166357	10/6/2011	JENNER & BLOCK-7/11-ENGILITY	2,700.00
05-12	173974	5/15/2012	JOELE FRANK-3/12-ENGILITY	30,000.00
05-12	173975	5/15/2012	JOELE FRANK-4/12-ENGILITY	35,476.56
07-11	012708	7/29/2011	JOELE FRANK-5/11-PROJ SABER	20,000.00
07-11	012708	7/29/2011	JOELE FRANK-5/11-PROJ SABER	2,941.63
08-11	164013	8/1/2011	JOELE FRANK-6/11-PROJ SABER	71,087.25
06-12	175164	6/19/2012	JOHN HARRINGTON-ENGILITY	2,090.00
05-12	173876	5/14/2012	MARTA RHYNER-4/12-ENGILITY	15,150.00
12-11	169142	12/23/2011	MARYMONT GROUP-ENGILITY	17,635.00
12-11	169143	12/23/2011	MARYMONT GROUP-ENGILITY	73,919.00
02-12	171043	2/22/2012	MARYMONT GROUP-ENGILITY	75,000.00
03-12	171779	3/14/2012	MARYMONT GROUP-ENGILITY	17,181.00
03-12	171780	3/14/2012	MARYMONT GROUP-ENGILITY	50,510.00
03-12	171781	3/14/2012	MARYMONT GROUP-ENGILITY	6,339.00
06-12	174687	6/8/2012	MARYMONT GROUP-ENGILITY	50,000.00
06-12	174688	6/8/2012	MARYMONT GROUP-ENGILITY	25,000.00
03-12	013478	3/30/2012	MARYMONT GRP-1/12-ENGILITY	75,765.00
05-12	173572	5/5/2012	MARYMONT GRP-4/12-ENGILITY	191,660.00
05-12	173573	5/5/2012	MARYMONT GRP-4/12-ENGILITY	51,790.00
05-12	173574	5/5/2012	MARYMONT GRP-4/12-ENGILITY	56,736.00
05-12	173575	5/5/2012	MARYMONT GRP-4/12-ENGILITY	76,225.00
12-11	013168	12/31/2011	MARYMONT GRP-ENGILITY SPIN-OFF	125,000.00
05-12	173424	5/1/2012	MELBA KIMBLE-4/12-ENGILITY	2,600.00
06-12	174450	6/2/2012	MELBA KIMBLE-5/12-ENGILITY	1,202.50
02-12	170877	2/16/2012	MITCHELL,SILBER-1/12-ENGILITY	262.50
08-11	164650	8/18/2011	MITCHELL,SILBER-7/11-SPIN-OFF	643.50
06-12	013867	6/29/2012	MITCHELL-5/12 ENGILITY ACT	17,934.00
12-11	168912	12/19/2011	MORRIS,NICHOLS-11/11-ENGILITY	2,310.00
01-12	169906	1/17/2012	MORRIS,NICHOLS-12/11-ENGILITY	2,836.00
03-12	171630	3/12/2012	MORRIS,NICHOLS-2/12-ENGILITY	6,374.22
04-12	013628	4/27/2012	MS&K-LEGAL FEE-3/12-ENGILITY	157.50
05-12	013709	5/25/2012	MS&K-LEGAL FEE-4/12-ENGILITY	9,292.50

06-12	174405	5/30/2012	NORTHWIND PARTNERS-ENGILITY	39,270.00
06-12	174406	5/30/2012	NORTHWIND PARTNERS-ENGILITY	25,128.04
06-12	175178	6/20/2012	NORTHWIND PARTNERS-ENGILITY	565.00
06-12	175238	6/25/2012	NORTHWIND PARTNERS-ENGILITY	38,115.00
06-12	175239	6/25/2012	NORTHWIND PARTNERS-ENGILITY	24,388.98
06-12	175240	6/25/2012	NORTHWIND PARTNERS-ENGILITY	15,795.48
06-12	174938	6/13/2012	ORACLE AMERICA-ENGILITY	59,756.04
08-11	164487	8/15/2011	PRICEWATERH-ENGILITY SPIN-OFF	750,000.00
03-12	172208	3/27/2012	PRICEWATERHOUSE-1/12-ENGILITY	11,000.00
01-12	169608	1/6/2012	PRICEWATERHOUSE-10/11-ENGILITY	160,000.00
02-12	170454	2/3/2012	PRICEWATERHOUSE-11/11-ENGILITY	64,026.00
03-12	172207	3/27/2012	PRICEWATERHOUSE-12/11-ENGILITY	20,000.00
05-12	173996	5/17/2012	PRICEWATERHOUSE-2/12-ENGILITY	25,000.00
06-12	175246	6/25/2012	PRICEWATERHOUSE-3/12-ENGILITY	17,500.00
06-12	175429	6/28/2012	PRICEWATERHOUSE-4/12-ENGILITY	22,500.00
10-11	166841	10/24/2011	PRICEWATERHOUSE-6/11-ENGILITY	55,000.00
10-11	166843	10/24/2011	PRICEWATERHOUSE-7/11-ENGILITY	73,271.00
12-11	167993	11/23/2011	PRICEWATERHOUSE-8/11-ENGILITY	185,166.00
03-12	172205	3/27/2012	PRICEWATERHOUSE-9/11-ENGILITY	186,364.00
09-11	165731	9/20/2011	PRICEWATERHOUSE-ENGILITY	1,000,000.00
10-11	166399	10/10/2011	PRICEWATERHOUSE-ENGILITY	1,000,000.00
11-11	167250	11/5/2011	PRICEWATERHOUSE-ENGILITY	1,000,000.00
12-11	168707	12/14/2011	PRICEWATERHOUSE-ENGILITY	1,000,000.00
01-12	169667	1/9/2012	PRICEWATERHOUSE-ENGILITY	1,050,000.00
02-12	170510	2/6/2012	PRICEWATERHOUSE-ENGILITY	1,000,000.00
06-12	174469	6/2/2012	PRICEWATERHOUSE-ENGILITY	540,000.00
06-12	174964	6/14/2012	PRICEWATERHOUSE-ENGILITY	157,500.00
06-12	174965	6/14/2012	PRICEWATERHOUSE-ENGILITY	129,900.00
05-12	013711	5/25/2012	PWC-1/12-ENGILITY	12,000.00
06-12	174475	6/4/2012	PWC-1ST QTR'12-ENGILITY	175,000.00
06-12	013807	6/29/2012	PWC-3/12-ENGILITY	5,000.00
11-11	013045	11/25/2011	PWC-4/11-PROJ SABER	13,500.00
11-11	013045	11/25/2011	PWC-5/11-PROJ SABER	22,000.00
12-11	169266	1/2/2012	SDL INTL AMERICA-ENGILITY	889.20
03-12	171994	3/22/2012	SDL INTL AMERICA-ENGILITY	3,183.55
06-12	174605	6/7/2012	SDL INTL AMERICA-ENGILITY	581.91
06-12	013845	6/29/2012	SIGN DISTINCTION-ENGILITY	3,300.00
03-12	172020	3/22/2012	SIMPSON THACHER-12/11-ENGILITY	548,565.00
04-12	173264	4/26/2012	SIMPSON THACHER-3/12-ENGILITY	655,429.00
11-11	167275	11/7/2011	SIMPSON THACHER-9/11-ENGILITY	575,667.00
08-11	012734	8/26/2011	SIMPSON-6/11-ENGILITY SPIN-OFF	379,269.00
04-12	172554	4/5/2012	SOFTWARE HOUSE INT'L-ENGILITY	10,934.33
06-12	174771	6/11/2012	SOFTWARE HOUSE INT'L-ENGILITY	24,717.00
06-12	175121	6/18/2012	STUDIO4SQUARED-ENGILITY	498.75
06-12	174680	6/8/2012	TAKESTOCK-ENGILITY	18,100.00
06-12	174681	6/8/2012	TAKESTOCK-ENGILITY	13,335.00
06-12	174682	6/8/2012	TAKESTOCK-ENGILITY	3,625.00
06-12	174683	6/8/2012	TAKESTOCK-ENGILITY	4,880.00
03-12	171552	3/8/2012	TALX UC EXPRESS-ENGILITY	67,250.00

15,417,615.12

EMPLOYEE MATTERS AGREEMENT

between

L-3 COMMUNICATIONS CORPORATION,

and

ENGLITY CORPORATION

Dated as of July 16, 2012

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EMPLOYEE MATTERS AGREEMENT

EMPLOYEE MATTERS AGREEMENT, dated as of July 16, 2012 (this "Employee Matters Agreement"), between L-3 Communications Corporation, a Delaware corporation ("L-3") and Engility Corporation, a Delaware corporation ("Engility").

RECITALS

A. L-3 Communications Holdings, Inc. ("L-3 Holdings") and Engility Holdings, Inc. ("Engility Holdings") have entered into the Distribution Agreement (the "Distribution Agreement"), dated as of the date hereof, pursuant to which L-3 Holdings intends to distribute to its stockholders on the Distribution Date (as defined below) its entire interest in Engility Holdings by way of a stock dividend.

B. L-3 is a direct, wholly-owned subsidiary of L-3 Holdings. As of the Distribution Date, Engility will become a direct, wholly-owned subsidiary of Engility Holdings.

C. The parties wish to set forth their agreements as to certain matters regarding employment, compensation and employee benefits in connection with the Distribution (as defined below).

AGREEMENT

In consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Table of Definitions. The following terms have the meanings set forth on the pages referenced below:

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Section 1.2. Certain Defined Terms. For the purposes of this Employee Matters Agreement:

“Benefit Plan” means, with respect to an entity, each plan, program, policy, agreement, arrangement or understanding that is a deferred compensation, executive compensation, incentive bonus or other bonus, pension, profit sharing, savings, retirement, severance pay, salary continuation, life, death benefit, health, hospitalization, sick leave, vacation pay, disability or accident insurance or other employee benefit plan, program, agreement or arrangement, whether or not subject to ERISA, including any “employee benefit plan” (as defined in Section 3(3) of ERISA) sponsored, maintained or contributed to by such entity or to which such entity is a party or under which such entity has any obligation; provided that no L-3 Equity Compensation Award, nor any plan under which any such L-3 Equity Compensation Award is granted, shall constitute a “Benefit Plan” under this Employee Matters Agreement. In addition, no Employment Agreement shall constitute a Benefit Plan for purposes hereof.

“Employment Agreement” means any individual employment, retention, consulting, change in control, split dollar life insurance, sale bonus, incentive bonus, offer letter, severance or other individual compensatory agreement between any current or former employee and a member of the L-3 Group or the Engility Group, but excluding any L-3 Equity Compensation Award.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Engility Benefit Plans” means the Engility Retained Benefit Plans and the Engility Spinoff Plans.

“Engility Common Stock” means common stock, par value \$0.01 per share, of Engility Holdings.

“Engility Employee” means each individual who, as of the Distribution, is employed by a member of the Engility Group (including, for the avoidance of doubt, (i) any such individual who is on a leave of absence, whether paid or unpaid, from which such employee is permitted to return (in accordance with Engility’s personnel policies) and (ii) any individual who, at the time of the Distribution, is receiving short-term or long-term disability benefits under an L-3 Benefit Plan and who, if actively employed at the time of the Distribution, would have otherwise been an Engility Employee on that date).

“Engility Employee Liabilities” means all potential or actual employment and employee benefits-related or other Liabilities, whether arising before, on or after the Distribution Date, with respect to: (a) Engility Employees and Engility Ex-Employees (and their respective Plan Payees, including, without limitation, for any deferred vested benefits under any Benefit Plan); (b) any other individuals asserting rights or obligations stemming from their services to or in connection with the Spinco Business (as defined in the Distribution Agreement); (c) Engility Employment Agreements; and (d) the Engility Benefit Plans (including, for avoidance of doubt, Liabilities relating to Engility Employees, Engility Ex-Employees or their respective Plan Payees (including, without limitation, for any deferred vested benefits under any Benefit Plan) that arise or are alleged to have arisen prior to Distribution under a Split Plan from which an Engility Spinoff Plan assumed Liabilities hereunder).

“Engility Employment Agreement” means any Employment Agreement relating to an Engility Employee or an Engility Ex-Employee whether effective prior to, as of, or following the Distribution. The Engility Employment Agreements shall be the sole responsibility of one or more members of the Engility Group following the Distribution.

“Engility Ex-Employee” means each former employee of L-3 or its Affiliates (or the predecessors thereof), including, without limitation, any such individual with deferred vested benefits under any Benefit Plan, whose last employment with L-3 or its Affiliates prior to the Distribution was with the Engility Group or the Spinco Business. For the avoidance of doubt, (i) a former employee whose last employment with L-3 and its Affiliates prior to the Distribution was with a business unit included within the Spinco Business shall be deemed an Engility Ex-Employee, without regard to whether the business unit was transferred to the Engility Group following the former employee’s termination of employment, and (ii) a former employee whose last employment with L-3 and its Affiliates prior to the Distribution was with a business unit that is not included within the Spinco Business shall not be deemed an Engility Ex-Employee, without regard to whether the business unit was transferred out of the Engility Group following the former employee’s termination of employment.

“Engility Group” means the Persons listed on Schedule 1.2(a) hereto.

“Engility Retained Benefit Plan” means any Benefit Plan that, as of the Distribution, is sponsored or maintained solely by any member of the Engility Group. “Engility Retained Benefit Plan” shall also mean any multiemployer plan (as defined in Section 3(37) of ERISA) to which any member of the Engility Group contributes for the benefit of its employees. For the avoidance of doubt, no member of the Engility Group shall be deemed to sponsor or maintain any Benefit Plan if its relationship to such Benefit Plan is solely to provide to L-3 any reimbursement in respect of such Benefit Plan pursuant to the Transition Services Agreement. The Engility Retained Benefit Plans (excluding any multiemployer plans) shall be sponsored solely by one or more members of the Engility Group following the Distribution.

“Engility Spinoff Plans” means the Engility Spinoff DC Plans, Engility Spinoff ESPP, Engility Spinoff Nonqualified Plans and Engility Spinoff Welfare Plans.

“Engility Welfare Plan” means each Engility Benefit Plan that is a Welfare Plan.

“L-3 Benefit Plan” means any Benefit Plan sponsored or maintained by any member of the L-3 Group. L-3 Benefit Plan shall also mean any multiemployer plan (as defined in Section 3(37) of ERISA) to which any member of the L-3 Group or L-3 contributes for the benefit of its employees. For the avoidance of doubt, no member of the L-3 Group shall be deemed to sponsor or maintain any Benefit Plan if its relationship to such Benefit Plan is solely to administer such Benefit Plan for the benefit of Engility Employees or Engility Ex-Employees pursuant to the Transition Services Agreement. The L-3 Benefit Plans (excluding any multiemployer plans) shall be those Benefit Plans sponsored solely by one or more members of the L-3 Group following the Distribution.

“L-3 Common Stock” means common stock, par value \$0.01 per share, of L-3 Holdings.

“L-3 Employee Liabilities” means all potential or actual employment and employee benefits-related or other Liabilities with respect to current employees and former employees of L-3 and the L-3 Group, whether arising before, on or after the Distribution Date, but excluding any Engility Employee Liabilities.

“L-3 Employment Agreement” means any Employment Agreement relating to a current or former employee of the L-3 Group who is not an Engility Employee or an Engility Ex-Employee. The L-3 Employment Agreements shall be the responsibility of one or more members of the L-3 Group following the Distribution.

“L-3 Group” means L-3 and its Affiliates, excluding any member of the Engility Group.

“L-3 Ex-Employee” means each former employee of L-3, or any of its Affiliates, who is not an Engility Ex-Employee.

“L-3 Welfare Plan” means each L-3 Benefit Plan that is a Welfare Plan.

“Plan Payee” means, as to an individual who participates in a Benefit Plan, such individual’s dependents, beneficiaries, alternate payees and alternate recipients, as applicable under such Benefit Plan.

“Split Plans” means the Split Welfare Plans, Split DC Plan and Split Nonqualified Plans.

“Welfare Plan” means each Benefit Plan that provides life insurance, health care, dental care, vision care, employee assistance programs (EAP), accidental death and dismemberment insurance, disability, severance, vacation or other group welfare or fringe benefits or is an “employee welfare benefit plan” as described in Section 3(1) of ERISA.

“Workers’ Compensation Event” means the event, injury, illness or condition giving rise to a workers’ compensation claim.

Section 1.3 Other Capitalized Terms. Capitalized terms not defined in this Employee Matters Agreement shall have the meanings ascribed to them in the Distribution Agreement.

ARTICLE II
GENERAL PRINCIPLES; EMPLOYEE TRANSFERS

Section 2.1. Assumption of Engility Employee Liabilities. Effective as of the Distribution, except as otherwise specifically provided in this Employee Matters Agreement, (a) the Engility Group shall be solely responsible for all Engility Employee Liabilities and the L-3 Group shall not retain any Engility Employee Liabilities and (b) the L-3 Group shall be solely responsible for all L-3 Employee Liabilities and the Engility Group shall not retain any L-3 Employee Liabilities.

Section 2.2. Allocation of Liabilities With Respect to Benefit Plans and Employment Agreements. Except as otherwise specifically provided in this Employee Matters Agreement or the Transition Services Agreement, effective as of the Distribution, each Engility Employee and Engility Ex-Employee (and each such individual's Plan Payees) shall cease participation in all L-3 Benefit Plans and, as of such time, Engility shall or shall cause another member of the Engility Group to have in effect such Engility Benefit Plans as are necessary to comply with its obligations pursuant to this Employee Matters Agreement.

(a) Effective as of the Distribution, except as otherwise specifically provided in this Employee Matters Agreement, L-3 shall, or shall cause one or more members of the L-3 Group to, retain, pay, perform, fulfill and discharge in due course all Liabilities arising out of or relating to all L-3 Employment Agreements.

(b) Effective as of the Distribution, except as otherwise specifically provided in this Employee Matters Agreement, Engility shall, or shall cause one or more members of the Engility Group to, retain, pay, perform, fulfill and discharge in due course (i) all Liabilities arising out of or relating to all Engility Benefit Plans, (ii) all Liabilities arising out of or relating to all Engility Employment Agreements, (iii) all Liabilities arising out of or relating to the Converted Engility Equity Compensation Awards (including, without limitation, any and all Liabilities with respect to any equity award of L-3 that, through assumption and conversion, becomes a Converted Engility Equity Compensation Award, as well as any and all Liabilities with respect to the assumption and conversion of such an award), and (iv) all Liabilities with respect to the employment, service, termination of employment or termination of service of all Engility Employees, Engility Ex-Employees, their respective Plan Payees. For the avoidance of doubt, from and after the Distribution, in no event will Engility be required to issue, grant or award any compensation relating to Engility Common Stock to any employee of the L-3 Group, and, subject to the treatment of the L-3 Equity Compensation Awards that are outstanding as of the Distribution and held by any Engility Employee or Engility Ex-Employee as provided in Section 8.1, in no event will L-3 be required to issue, grant or award any compensation relating to L-3 Common Stock to any Engility Employee or Engility Ex-Employee.

Section 2.3. Engility Benefit Plans and Engility Employment Agreements. Effective as of the Distribution, Engility or another member of the Engility Group shall, as applicable in accordance with this Employee Matters Agreement, adopt, continue or, to the extent necessary, assume sponsorship of each Engility Benefit Plan and Engility Employment Agreement.

Effective on the Distribution Date, the Engility Group shall be exclusively responsible for administering each Engility Benefit Plan and each Engility Employment Agreement in accordance with its terms and for all obligations and liabilities with respect to the Engility Benefit Plans and Engility Employment Agreements and all benefits owed to participants in the Engility Benefit Plans and individuals who are parties to the Engility Employment Agreements, whether arising before, on or after the Distribution Date. Except as specifically provided herein, Engility shall not assume sponsorship, maintenance or administration of any Benefit Plan or Employment Agreement that is not an Engility Benefit Plan or an Engility Employment Agreement or receive or assume any assets or liabilities in connection with any such Benefit Plan or Employment Agreement.

Section 2.4. Plan-Related Litigation. Notwithstanding anything herein to the contrary, the management of the defense of all litigation related to the L-3 Benefit Plans, the L-3 Employment Agreements, the Engility Benefit Plans and the Engility Employment Agreements shall be governed by the Distribution Agreement, and this Employee Matters Agreement shall govern the allocation of Liabilities related to any such litigation.

Section 2.5. Vacation and Sick Pay. Engility shall assume responsibility for accrued vacation and sick pay and any other paid time off attributable to Engility Employees and Engility Ex-Employees as of the Distribution, or with respect to Delayed Transfer Employees, the Applicable Transfer Date.

Section 2.6. Employee Transfers. Upon mutual agreement of Engility and L-3, any employee whose employment transfers after the Distribution but prior to October 1, 2012 from the L-3 Group to the Engility Group or from the Engility Group to the L-3 Group because they were inadvertently and erroneously treated as employed by the wrong employer on the Distribution Date, and who was continuously employed by a member of the Engility Group or the L-3 Group (as applicable) from the Distribution through the date such employee commences active employment with a member of the L-3 Group or Engility Group (as applicable) shall be a "Delayed Transfer Employee." Except as otherwise specifically provided in this Employee Matters Agreement, such Delayed Transfer Employees shall be treated in the same manner as Engility Employees or L-3 Employees (as applicable) as specified in this Employee Matters Agreement, to the extent practicable in compliance with applicable Law and the Employee Plans. For purposes of this Employee Matters Agreement, the date on which a Delayed Transfer Employee actually commences employment with the Engility Group or the L-3 Group (as applicable) is referred to as such individual's "Applicable Transfer Date" and such Applicable Transfer Date shall, except as expressly provided herein and in compliance with Law applicable to the Employee Plans, be treated as the Distribution Date for Delayed Transfer Employees where the Distribution Date is referenced in this Employee Matters Agreement. Notwithstanding anything herein to the contrary, the mutual agreement with respect to, and Applicable Transfer Date of, any Delayed Transfer Employee must occur before October 1, 2012.

Section 2.7. Annual Bonuses. Engility shall be solely responsible for all annual bonuses earned by Engility Employees and Engility Ex-Employees with respect to periods ending on or after January 1, 2012. Actual bonuses payable to Engility employees in respect of periods ending on or after January 1, 2012 will be determined by Engility in its sole discretion.

ARTICLE III
SERVICE CREDIT

Section 3.1. Service Credit for Employee Transfers. The Benefit Plans shall provide the following service crediting rules effective as of the Distribution:

If a Delayed Transfer Employee becomes employed by a member of the L-3 Group or Engility Group before October 1, 2012, then such Delayed Transfer Employee's service with the Engility Group or the L-3 Group (as applicable) following the Distribution shall be recognized for purposes of eligibility and vesting under the appropriate Benefit Plans, subject to the terms of those plans.

Section 3.2. Engility Benefit Plans. From and after the Distribution, or with respect to Delayed Transfer Employees, the Applicable Transfer Date, Engility shall, and shall cause its affiliates and successors to, provide credit under the Engility Benefit Plans to Engility Employees and Engility Ex-Employees for their service with Engility and its predecessors and affiliates (including but not limited to L-3 and any of its Affiliates and their respective predecessors) to the same extent that such service was recognized under the relevant L-3 Benefit Plans. For avoidance of doubt, service shall be credited for all purposes, including but not limited to, benefit accrual, determining eligibility to participate, vesting, or for the purpose of any other service-related benefits or programs; provided, however, that service shall not be recognized to the extent that such recognition would result in the duplication of benefits.

ARTICLE IV
CERTAIN WELFARE BENEFIT PLAN MATTERS

Section 4.1. Engility Retained Welfare Plans. Engility shall cause a member of the Engility Group to retain, or to the extent necessary, assume sponsorship of any Engility Retained Benefit Plans that are Welfare Plans (the "Engility Retained Welfare Plans") and take all necessary actions to continue contributions to the Engility Retained Benefit Plans that are multiemployer Welfare Plans. From and after the Distribution, the Engility Group shall be exclusively responsible for all obligations and liabilities with respect to the Engility Retained Welfare Plans, and all benefits owed to participants in the Engility Retained Welfare Plans, whether accrued before, on or after the Distribution.

Section 4.2. Continued Participation in L-3 Welfare Plans.

(a) For the period beginning on the day after the Distribution Date and ending on December 31, 2012 (or such later date as may be required under the Consolidated Omnibus Budget Reconciliation Act, as amended ("COBRA") in the case of Engility Employees or Engility Ex-Employees (or such Engility Employee's or Engility Ex-Employee's eligible dependents) who have a "qualifying event" for the purposes of COBRA on or prior to the Distribution Date) (the "Participation Period"), (i) Engility

Employees and Engility Ex-Employees who participate in the Welfare Plans identified on Schedule 4.2(a)(i) (such plans, the “Participation Period Plans”), and (ii) individuals who become employed by a member of the Engility Group who would become eligible to participate in the Participation Period Plans identified on Schedule 4.2(a)(ii) had the Distribution had not occurred, shall continue to participate or begin to participate, as applicable in such Participation Period Plans during the Participation Period. Notwithstanding the foregoing, to the extent the Participation Period applicable to an Engility Employee (or such Engility Employee’s eligible dependents) who experiences a “qualifying event” for the purposes of COBRA after the Distribution Date would otherwise extend beyond December 31, 2012, such Engility Employee shall become eligible for benefits solely pursuant to the Engility Spinoff Welfare Plans, in accordance with COBRA and consistent with the terms generally available to active Engility Employees as of January 1, 2013.

(b) Notwithstanding any provision of this Agreement to the contrary, any Engility Employee or Engility Ex-Employee who becomes eligible for long-term disability insurance coverage as a result of a disability which occurs:

(i) prior to July 1, 2012 shall be eligible for such benefits under the applicable Participation Period Plan from the time of initial eligibility through the last date for which such Engility Employee or Engility Ex-Employee remains eligible for such benefits under the terms of such Participation Period Plan, without regard for the end of the Participation Period; and

(ii) from and after July 1, 2012, shall be eligible for such benefits only under the Engility Spinoff Welfare Plan providing for long-term disability insurance coverage.

(c) The Engility Group shall be responsible for and have sole liability with respect to all liabilities under Participation Period Plans actually incurred by L-3 or a member of the L-3 Group in respect of Engility Employees and Engility Ex-Employees; provided, however, that with respect to any claims processed, managed or paid with respect to an Engility Employee, Engility Ex-Employee, or Delayed Transfer Employee after the Distribution Date or Applicable Transfer Date (as applicable), L-3 or a member of the L-3 Group shall have responsibility for processing and managing such claims and Engility shall reimburse L-3 or the applicable member of the L-3 Group, in each case on the terms set forth in the Transition Service Schedule relating to the Participation Period Plans attached to the Transition Services Agreement entered into on or prior to the date hereof between L-3 Communications Corporation and Engility.

Section 4.3. Engility Spinoff Welfare Plans.

(a) (i) Effective (A) not later than December 31, 2012, with respect to any Participation Period Plans identified in Schedule 4.2(a)(ii), and (B) not later than the Distribution Date with respect to the other welfare benefit plans identified in Schedule 4.3, Engility or a member of the Engility Group shall establish certain welfare benefit plans (all such plans, the “Engility Spinoff Welfare Plans”). Each Engility Spinoff

Welfare Plan shall have terms and features (including benefit coverage options and employer contribution provisions) that are substantially identical to one of the Benefit Plans listed on Schedule 4.2(a)(ii) or the L-3 Benefit Plans corresponding to the Benefit Plans listed on Schedule 4.3 (such Benefit Plans, the “Split Welfare Plans”) such that (for avoidance of doubt), each Split Welfare Plan is substantially replicated by an Engility Spinoff Welfare Plan; and (ii) any Engility Employee or Engility Ex-Employee who would become eligible to participate in the Participation Period Plans identified on Schedule 4.3 had the Distribution had not occurred, as a result of an event or incident eligible for coverage which occurs on or after the Distribution Date, shall be eligible for benefits only under the corresponding Engility Spinoff Welfare Plan.

(b) Each Engility Spinoff Welfare Plan shall assume all liability from the corresponding Split Welfare Plan with respect to, and shall provide benefits to, those Engility Employees and Engility Ex-Employees and their respective Plan Payees who immediately prior to the Distribution were participating in, or entitled to present or future benefits under the corresponding Split Welfare Plan. Beginning on the day after the Distribution, Engility and the Engility Group shall be solely and exclusively responsible for all obligations and liabilities with respect to, or in any way related to, the Engility Spinoff Welfare Plans, whether accrued before, on or after the Distribution. For avoidance of doubt, the Engility Spinoff Welfare Plans shall have the sole obligation to provide benefits attributable to any lost participants who were formerly employed in the Spinco Business.

Section 4.4. Workers’ Compensation. The Engility Group shall be responsible for and have sole liability with respect to all workers’ compensation claims of Engility Employees and Engility Ex-Employees, regardless of when the Workers’ Compensation Event occurred; provided, however, that with respect to any such claims arising with respect to an Engility Employee, Engility Ex-Employee, or Delayed Transfer Employee prior to the Distribution Date or Applicable Transfer Date (as applicable) L-3 or a member of the L-3 Group shall have responsibility for processing and managing such claims, and Engility shall reimburse L-3 or the applicable member of the L-3 Group, in each case on the terms set forth in the applicable Transition Service Schedule attached to the Transition Services Agreement entered into on or prior to the date hereof between L-3 Communications Corporation and Engility.

ARTICLE V
U.S. TAX-QUALIFIED DEFINED CONTRIBUTION PLANS

Section 5.1. Engility Spinoff DC Plan.

(a) Prior to the Distribution, Engility or another member of the Engility Group shall establish a defined contribution plan that qualifies under Code Section 401(a), and a related master trust or trusts exempt under Code Section 501(a) (such plan and trust, the “Engility Spinoff DC Plan”). The Engility Spinoff DC Plan shall have terms and features (including vesting requirements and employer contribution provisions) that are substantially identical to the Benefit Plan listed on Schedule 5.1 (such Benefit Plan, the “Split DC Plan”) such that (for avoidance of doubt), the Split DC Plan is substantially replicated by a corresponding Engility Spinoff DC Plan, provided, that (i) notwithstanding the investment options provided for in the Split DC Plan, no contributions or

transfers will be permitted into the L-3 Stock Fund under the Engility Spinoff DC Plan following the Distribution, and (ii) any balance remaining in the L-3 Stock Fund of the Engility Spinoff DC Plan as of December 31, 2013 shall automatically be transferred into the participant's applicable "Qualified Default Investment Alternative" thereunder. Engility or a member of the Engility Group shall be solely responsible for taking all necessary, reasonable, and appropriate actions (including the submission of the Engility Spinoff DC Plan to the Internal Revenue Service for a determination of tax-qualified status) to establish, maintain and administer the Engility Spinoff DC Plan so that it is qualified under Section 401(a) of the Code and that the related trusts thereunder are exempt under Section 501(a) of the Code. The Engility Spinoff DC Plan shall assume liability for all benefits accrued or earned (whether or not vested) by Engility Employees and Engility Ex-Employees and their respective Plan Payees under the corresponding Split DC Plan as of the Distribution.

(b) Prior to the Distribution, L-3 or a member of the L-3 Group shall cause the Split DC Plan to transfer to the Engility Spinoff DC Plan, and Engility or another member of the Engility Group shall cause the Engility Spinoff DC Plan to accept the transfer of, the accounts, liabilities and related assets in such Split DC Plan attributable to Engility Employees and Engility Ex-Employees and their respective Plan Payees, including any shares of common stock held through the L-3 Stock Fund of the Split DC Plan, provided, that any vesting terms applicable to any assets so transferred shall continue to apply to such assets, subject to the service credit provisions of Section 3.2 and, provided, further, that any shares of Engility Common Stock received in respect of such L-3 shares as a result of the Distribution shall be transferred to a new Engility Stock Fund under the Engility Spinoff DC Plan. The transfer of assets shall be in cash or in kind (as determined by the transferor) and include outstanding loan balances and amounts forfeited by Engility Ex-Employees that have not yet been applied to the payment of contributions or expenses and be conducted in accordance with Code Section 414(l) and Treasury Regulation Section 1.414(l)-1, and Section 208 of ERISA. From and after the transfer of the accounts, liabilities, and related assets to the Engility Spinoff DC Plan, the participating Engility Employees and Engility Ex-Employees shall cease to participate in the Split DC Plan.

(c) As soon as reasonably practicable (but not later than 60 days) following the Applicable Transfer Date of a Delayed Transfer Employee who transfers employment from a member of the L-3 Group to a member of the Engility Group prior to October 1, 2012, L-3 or a member of the L-3 Group shall cause the accounts, related liabilities, and related assets in the corresponding Split DC Plan(s) attributable to such Delayed Transfer Employee and their respective Plan Payees (including any outstanding loan balances) to be transferred in cash or in kind (as determined by the transferor) (in accordance with Code Section 414(l) and Treasury Regulation Section 1.414(l)-1, and Section 208 of ERISA) to the Engility Spinoff DC Plan and Engility or a member of the Engility Group shall cause the Engility Spinoff DC Plan to accept such transfer of accounts, liabilities and assets.

(d) In the event a Delayed Transfer Employee is an Engility Employee who returns to employment with L-3 or a member of the L-3 Group, then, as soon as reasonably practicable (but not later than 30 days thereafter), Engility or a member of the Engility Group shall cause the accounts, related liabilities, and related assets in the Engility Spinoff DC Plan attributable to such Delayed Transfer Employee and their respective Plan Payees (including any

outstanding loan balances) to be transferred in cash or in-kind (as determined by the transferor) in accordance with Code Section 414(l) and Treasury Regulation Section 1.414(l)-1, and Section 208 of ERISA to the applicable Split DC Plan(s). L-3 or a member of the L-3 Group shall cause the Split DC Plan to accept such transfer of accounts, liabilities and assets.

(e) From and after the Distribution, except as specifically provided in paragraph (d) or Section 6.3 below, Engility and the Engility Group shall be solely and exclusively responsible for all obligations and liabilities with respect to, or in any way related to, the Engility Spinoff DC Plan, whether accrued before, on or after the Distribution. For avoidance of doubt, the Engility Spinoff DC Plan shall have the sole and exclusive obligation to restore the unvested portion of any account attributable to any individual who becomes employed by a member of the Engility Group and whose employment with L-3 or any of its Affiliates, or a member of the L-3 Group terminated on or before the Distribution at a time when such individual's benefits under the Split DC Plans were not fully vested. Furthermore, the Engility Spinoff DC Plan shall have the sole obligation to restore accounts attributable to any lost participants who are Engility Ex-Employees.

Section 5.2. Continuation of Elections. As of the Distribution, Engility (acting directly or through a member of the Engility Group) shall cause the Engility Spinoff DC Plan to recognize and maintain all elections, including, but not limited to, deferral, investment and payment form elections, beneficiary designations, and the rights of alternate payees under qualified domestic relations orders with respect to Engility Employees, Engility Ex-Employees and Delayed Transfer Employees and their respective Plan Payees under the Split DC Plan; provided, that employee investment elections directed to the L-3 Stock Fund thereunder shall be directed to the participant's applicable "Qualified Default Investment Alternative" thereunder until such time (if any) as the participant changes his or her election.

ARTICLE VI

DEFERRED COMPENSATION PLANS

Section 6.1. Engility Spinoff Nonqualified Plans.

(a) Effective as of the Distribution, Engility or another member of the Engility Group shall establish certain nonqualified deferred compensation plans (such plans, the "Engility Spinoff Nonqualified Plans"). Each Engility Spinoff Nonqualified Plan shall have terms and features that are substantially identical to one of the L-3 Benefit Plans listed on Schedule 6.1(a) (such plans, the "Split Nonqualified Plans") such that (for avoidance of doubt) each Split Nonqualified Plan is substantially replicated by a corresponding Engility Spinoff Nonqualified Plan. Except as specifically provided in Section 6.5, Engility or a member of the Engility Group shall be solely responsible for taking all necessary, reasonable, and appropriate actions to establish, maintain and administer the Engility Spinoff Nonqualified Plans so that they do not result in adverse tax consequences under Code Section 409A. Each Engility Spinoff Nonqualified Plan shall assume liability for all benefits accrued or earned (whether or not vested) by Engility Employees and Engility Ex-Employees and their respective Plan Payees under the corresponding Split Nonqualified Plan as of the Distribution. From and after the Distribution, Engility and the Engility Group shall be solely and exclusively responsible for all obligations and liabilities with

respect to, or in any way related to, the Engility Spinoff Nonqualified Plans, whether accrued before, on or after the Distribution, and shall indemnify the L-3 Group from any claims with respect to such liabilities. Furthermore, Engility and the Engility Group shall have the sole obligation to restore in the Engility Spinoff Nonqualified Plans benefits under the Split Nonqualified Plans attributable to any lost participants who are Engility Ex-Employees.

(b) Engility shall cause a member of the Engility Group to retain, or to the extent necessary, assume sponsorship of the Engility Retained Nonqualified Plan identified on Schedule 6.1(b), and take all necessary actions to continue such Engility Retained Nonqualified Plan in accordance with its terms. To the extent necessary, prior to the Distribution, Engility shall cause a member of the Engility Group to assume sponsorship of the Engility Retained Nonqualified Plan. Except as specifically provided in Section 6.5, Engility or a member of the Engility Group shall be solely responsible for taking all necessary, reasonable, and appropriate actions to establish, maintain and administer the Engility Retained Nonqualified Plan so that it do not result in adverse tax consequences under Code Section 409A. The Engility Retained Nonqualified Plan shall assume liability for all benefits accrued or earned (whether or not vested) by all Engility Employees and Engility Ex-Employees under the Engility Retained Nonqualified Plan as of the Distribution. From and after the Distribution, Engility and the Engility Group shall be solely and exclusively responsible for all obligations and liabilities with respect to, or in any way related to, the Engility Retained Nonqualified Plan, whether accrued before, on or after the Distribution, and shall indemnify the L-3 Group from any claims with respect to such liabilities. Furthermore, Engility and the Engility Group shall have the sole obligation to restore in the Engility Retained Nonqualified Plan benefits attributable to any lost participants who are Engility Ex-Employees.

(c) Unless L-3 and Engility agree otherwise before the Distribution, prior to or on the Distribution Date, L-3 or a member of the L-3 Group shall cause the applicable Split Nonqualified Plans to transfer to the corresponding Engility Spinoff Nonqualified Plan, and Engility or another member of the Engility Group shall cause such Engility Spinoff Nonqualified Plan to accept the transfer of, the accounts and liabilities in such Split Nonqualified Plans attributable to Engility Employees and Engility Ex-Employees and their respective Plan Payees.

Section 6.2. No Distributions Triggered by Spinoff. L-3 and Engility acknowledge that neither the Distribution nor any of the other transactions contemplated by this Employee Matters Agreement, the Distribution Agreement or the other Ancillary Agreements will trigger a payment or distribution of compensation under any Benefit Plan that is a nonqualified deferred compensation plan for any Engility Employee or Engility Ex-Employee and, consequently, that the payment or distribution of any compensation to which any Engility Employee or Engility Ex-Employee is entitled under any Engility Spinoff Nonqualified Plan will occur upon such Engility Employee's or Engility Ex-Employee's separation from service from the Engility Group or at such other time as provided in such Engility Spinoff Nonqualified Plan or such Engility Employee's or Engility Ex-Employee's deferral election.

Section 6.3. Section 409A. L-3 and Engility shall cooperate in good faith so that the Distribution will not result in adverse tax consequences under Code Section 409A to any current or former employee of any member of the L-3 Group or any member of the Engility Group, or their respective Plan Payees, in respect of his or her benefits under any L-3 Benefit Plan or Engility Benefit Plan.

Section 6.4. Continuation of Elections. As of the Distribution, Engility (acting directly or through a member of the Engility Group) shall cause each Engility Spinoff Nonqualified Plan to recognize and maintain all elections, including, but not limited to, deferral and payment form elections, beneficiary designations, and the rights of alternate payees under qualified domestic relations orders with respect to Engility Employees, Engility Ex-Employees and their Plan Payees under the corresponding Split Nonqualified Plan.

Section 6.5. Delayed Transfer Employees. Any Delayed Transfer Employee who transfers to the Engility Group prior to October 1, 2012 shall be treated in the same manner as an Engility Employee under this Article VI, subject to Section 6.3. As indicated in Section 2.6, unless otherwise required pursuant to Section 6.3, such a Delayed Transfer Employee's Applicable Transfer Date shall be treated as the Distribution Date. In addition, if a Delayed Transfer Employee transfers from the Engility Group to the L-3 Group prior to October 1, 2012, the L-3 Group shall assume and be solely responsible, pursuant to the terms of the applicable Split Nonqualified Plan, for any benefits accrued by such individual under any Engility Spinoff Nonqualified Plan, and the Engility Group shall have no liability with respect thereto.

ARTICLE VII

EMPLOYEE STOCK PURCHASE PLAN

Section 7.1. Engility Spinoff Employee Stock Purchase Plan.

(a) Effective as of the Distribution, Engility or another member of the Engility Group shall establish an employee stock purchase plan (such plan, the "Engility Spinoff ESPP"). The Engility Spinoff ESPP shall have terms and features (including employer contribution provisions) that are substantially identical to one of the L-3 Benefit Plans listed on Schedule 7.1(a) (such plans, the "Split ESPP") such that (for avoidance of doubt), each Split ESPP is substantially replicated by a corresponding Engility Spinoff ESPP, provided, that the foregoing shall not require that offerings under the Engility Spinoff ESPP be tax-qualified under Section 423 of the Code. Engility or a member of the Engility Group shall be solely responsible for taking all necessary, reasonable, and appropriate actions to establish, maintain and administer the Engility Spinoff ESPP, and commencing open enrollment following the Distribution Date.

(b) Unless L-3 and Engility agree otherwise before the Distribution, all participating Engility Employees and Engility Ex-Employees shall be permitted to participate in the offering period ending on June 29, 2012 under the Split ESPP, but shall not be permitted to participate in any subsequent offering periods.

ARTICLE VIII
L-3 EQUITY COMPENSATION AWARDS

Section 8.1. General Treatment of Outstanding L-3 Equity Compensation Awards.

(a) Notwithstanding any other provision of this Employee Matters Agreement or the Distribution Agreement to the contrary, from and after the Distribution, each outstanding option award to purchase L-3 Common Stock (each, an "L-3 Option") and each restricted stock unit award with respect to a share of L-3 Common Stock ("L-3 RSU") that was granted under or pursuant to any equity compensation plan or arrangement of L-3 or its Affiliates (each such L-3 Option or L-3 RSU, an "L-3 Equity Compensation Award"), that, as of the Distribution, is held by any Engility Employee (which for purposes of this Section 8.1, shall not include any Delayed Transfer Employees) or Engility Ex-Employee, shall be assumed by Engility (each such assumed L-3 Equity Compensation Award, a "Converted Engility Equity Compensation Award").

(b) In connection with the assumption by Engility or its Affiliate, each Converted Engility Equity Compensation Award shall be adjusted into an option award or restricted stock unit award, as applicable, with respect to shares of Engility Common Stock, having the same intrinsic value as the applicable L-3 Equity Compensation Award, as determined using an exchange ratio ("Exchange Ratio") equal to (i) the closing price of a share of L-3 Common Stock on the Distribution Date based on "regular way" trading divided by (ii) the opening price of a share of Engility Common Stock on the first day after the Distribution Date on which Engility Common Stock trades on a "regular way" basis, rounded down to six decimal places.

(c) With respect to any Converted Engility Equity Compensation Award that is a stock option, (A) the per share exercise price shall be adjusted to be equal to (1) the per share exercise price of the corresponding L-3 Option, divided by (2) the Exchange Ratio, with the result rounded up to the nearest whole cent; and (B) the number of shares of Engility Common Stock subject to such Converted Engility Equity Compensation Award shall also be adjusted by multiplying the number of shares of L-3 Common Stock subject to such award by the Exchange Ratio, with the product rounded down to the nearest whole share.

(d) With respect to any Converted Engility Equity Compensation Award that is a restricted stock unit, the number of units of Engility Common Stock subject to each such Converted Engility Equity Compensation Award shall be adjusted to be equal to the product of (x) the number of shares of L-3 Common Stock subject to the corresponding L-3 RSU, and (y) the Exchange Ratio, rounded down to the nearest whole unit.

(e) Prior to the Distribution, Engility shall establish equity compensation plans, so that upon the Distribution, Engility shall have in effect an equity compensation plan containing substantially the same terms as each original L-3 equity compensation plan under which any Converted Engility Equity Compensation Award was granted. From and after the Distribution, each Converted Engility Equity Compensation Award shall be subject to the terms of the applicable Engility equity compensation plan, the award agreement governing such Converted Engility Equity Compensation Award and any Employment Agreement to which the applicable Engility Employee or Engility Ex-Employee is a party. From and after the Distribution, Engility shall retain, pay, perform, fulfill and discharge all Liabilities arising out of or relating to the Converted Engility Equity Compensation Awards. Effective as of the Distribution, each Engility Employee and Engility Ex-Employee shall cease participation in all

L-3 equity compensation plans. In all events, the adjustments to the Converted Engility Equity Compensation Awards provided for in this Section 8.1 shall be made in a manner that, as determined by L-3, avoids adverse tax consequences under Code Section 409A.

Section 8.2. Vesting and Other Terms and Conditions. Each Converted Engility Equity Compensation Award shall have the same vesting schedule, expiration date (if applicable), delivery date (if applicable), and such other terms and conditions as in effect immediately prior to the conversion, as such terms were applicable to the corresponding L-3 Equity Compensation Award, including, without limitation, credit for any accruals as of the Distribution Date for accumulated and unpaid dividends on any L-3 RSU award converted as of the Distribution Date, in accordance with the terms of the applicable award agreements governing the L-3 RSU and corresponding Converted Engility Equity Compensation Award.

Section 8.3. Tax Withholding and Reporting. Effective from and after the Distribution, Engility shall be solely responsible for all Tax withholding obligations with respect to the Converted Engility Equity Compensation Awards.

ARTICLE IX
BENEFIT PLAN REIMBURSEMENTS, BENEFIT PLAN
THIRD-PARTY CLAIMS

Section 9.1. General Principles. From and after the Distribution, any services that a member of the L-3 Group shall provide to the members of the Engility Group relating to any Benefit Plans shall be set forth in the Transition Services Agreement.

Section 9.2. Benefit Plan Third-Party Claims. In the event of any conflict or inconsistency between the following provision on the one hand, and the Distribution Agreement or any of the Ancillary Agreements on the other hand, the following provision shall control over the inconsistent provisions to the extent of the inconsistency:

If a Third-Party Claim relates solely to the Benefit Plan of the Indemnifying Party, Engility and L-3 shall take all actions necessary to substitute the Indemnifying Party and/or the relevant Benefit Plan of the Indemnifying Party as the proper party for such Third-Party Claim. If the Third-Party Claim relates to both an Engility Benefit Plan and a L-3 Benefit Plan, Engility and L-3 shall take all actions necessary to separate or otherwise partition the Third-Party Claim so as to allow each party to solely defend the claim relating to its own Benefit Plan (unless the parties mutually agree that such a separation or partition is unnecessary or inadvisable). If the Third-Party Claim cannot be transferred to the Indemnifying Party or separated or partitioned so as to allow each party to solely defend the claim relating to its own Benefit Plan, then L-3 shall defend the Third-Party Claim and Engility may elect to participate in (but not control) the defense, compromise, or settlement of any such Third-Party Claim at its own expense (including allocated costs of Engility in-house counsel and other Engility personnel).

ARTICLE X
COOPERATION

Section 10.1. Cooperation. Following the date of this Employee Matters Agreement, L-3 and Engility shall, and shall cause their respective Subsidiaries and Affiliates to, use reasonable best efforts to cooperate with respect to any employee compensation or benefits matters that L-3 or Engility, as applicable, reasonably determines require the cooperation of both L-3 and Engility in order to accomplish the objectives of this Employee Matters Agreement. Without limiting the generality of the preceding sentence, (a) L-3 and Engility shall cooperate in coordinating each of their respective payroll systems in connection with the transfers of Engility Employees to the Engility Group and the Distribution, and (b) L-3 shall transfer records to Engility as reasonably necessary for the proper administration of Engility Benefit Plans, to the extent such records are in L-3's possession. The obligations of the Engility Group and the L-3 Group to cooperate pursuant to this Section 10.1 shall remain in effect until all audits of all Benefit Plans with respect to which the other party may have information have been completed or the applicable statute of limitations with respect to such audits has expired.

ARTICLE XI
MISCELLANEOUS

Section 11.1. Further Assurances. Prior to the Distribution, if either party identifies any commercial or other service that is needed to ensure a smooth and orderly transition of its business in connection with the consummation of the transactions contemplated hereby, and that is not otherwise governed by the provisions of this Employee Matters Agreement, the parties will cooperate in determining whether there is a mutually acceptable arm's-length basis on which the other party will provide such service under the Transition Services Agreement.

Section 11.2. Employment Tax Reporting Responsibility. Engility and L-3 hereby agree to follow the standard procedure for United States employment tax withholding as provided in Section 4 of Rev. Proc. 2004-53, I.R.B. 2004-35.

Section 11.3. Data Privacy. The parties agree that any applicable data privacy Laws and any other obligations of the Engility Group and the L-3 Group to maintain the confidentiality of any employee information or information held by any Benefit Plans in accordance with applicable Law shall govern the disclosure of employee information among the parties under this Employee Matters Agreement. Engility and L-3 shall ensure that they each have in place appropriate technical and organizational security measures to protect the personal data of the Engility Employees and Engility Ex-Employees.

Section 11.4. Third Party Beneficiaries. Nothing contained in this Employee Matters Agreement shall be construed to create any third-party beneficiary rights in any individual, including without limitation any current or former employee of L-3 or any of its Affiliates (including any dependent or beneficiary thereof) nor shall this Employee Matters Agreement be deemed to amend any Benefit Plan or to prohibit L-3, Engility or their respective Affiliates from amending or terminating any Benefit Plan.

Section 11.5. Effect if Distribution Does Not Occur. If the Distribution does not occur, then all actions and events that are, under this Employee Matters Agreement, to be taken or occur effective as of the Distribution, or otherwise in connection with the Distribution shall not be taken or occur except to the extent specifically agreed by the parties.

Section 11.6. Incorporation of Distribution Agreement Provisions. The following provisions of the Distribution Agreement are hereby incorporated herein by reference, and unless otherwise expressly specified herein, such provisions shall apply as if fully set forth herein (references in this Section 11.8 to an "Article" or "Section" shall mean Articles or Sections of the Distribution Agreement, and references in the material incorporated herein by reference shall be references to the Distribution Agreement): Article II (relating to Conveyance of Certain Assets; Assumption of Certain Liabilities); Article VI (relating to Release and Indemnification); Article XI (relating to Information; Separation of Data); Section 3.03 (relating to Conditions Precedent to the Distribution); and Article XIII (relating to Miscellaneous).

Section 11.7. No Representation or Warranty. L-3 makes no representation or warranty with respect to any matter in this Employee Matters Agreement, including, without limitation, any representation or warranty with respect to the legal or tax status or compliance of any Benefit Plan, compensation arrangement or Employment Agreement, and L-3 disclaims any and all liability with respect thereto.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Employee Matters Agreement to be executed by their duly authorized representatives.

L-3 COMMUNICATIONS CORPORATION

By: Steven M. Post
Name: Steven M. Post
Title: Senior Vice President

ENGILITY CORPORATION

By: Thomas O. Miiller
Name: Thomas O. Miiller
Title: Senior Vice President, General Counsel and Corporate Secretary

Acknowledged and agreed:

L-3 COMMUNICATIONS HOLDINGS, INC.

By: Steven M. Post
Name: Steven M. Post
Title: Senior Vice President

ENGILITY HOLDINGS, INC.

By: Thomas O. Miiller
Name: Thomas O. Miiller
Title: Senior Vice President, General Counsel and Corporate Secretary

Engility Group

The members of the Engility Group are:

Engility Holdings, Inc.
Engility Corporation
Engility Services, Inc.¹
Forfeiture Support Associates, LLC
MPRI International Services, Ltd.
Titan Deutschland GmbH
Titan Italia Srl
International Resources Group Ltd.
IRG Systems Gouth Asia Private Limited
Cayenta, Inc.
LinCom Wireless, Inc.
Titan Systems Solutions UK Ltd.
Titan Wireless, Inc.
URS Coleman, LLC

The Engility Group also includes any Affiliates of the forgoing that have outstanding equity securities that are owned, directly or indirectly, by any of the foregoing, except for: (i) L-3 Domestic Holdings, Inc. ("LDHI") and (ii) any Persons that have outstanding equity securities that are owned, directly or indirectly, by LDHI.

¹ To be merged into Engility Corporation on the Distribution Date.

Participation Period Plans1. L-3 Communications Corporation Group Health Plan

Medical Plans:

Self-Insured Plans

- Aetna HealthFund HRA Medical Plan – Option I
- Aetna HealthFund HRA Medical Plan – Option II
- Aetna Choice POS II Medical Plan
- Aetna Out-of-Area Medical Plan
- Blue Cross Blue Shield EPO Medical Plan
- L-3 Communications Prescription Drug Plan

Insured Plans

- Aetna Executive Reimbursement Plan
- Aetna International Medical Plan
- HMSA PPO Medical Plan for Grandfathered Employees
- HMSA HMO Medical Plan for Grandfathered Employees
- Kaiser California HMO Medical Plan
- Kaiser Mid-Atlantic HMO Medical Plan
- Aetna Managed Choice POS (Open Access) – (for SCA Employees at MPRI and GS&ES)
- Aetna Open Access Managed Choice (Aetna Health Fund) – (for SCA Employees at MPRI and GS&ES)
- L-3 Employee Assistance Plan (Empathia)

Dental Plans

Self-Insured Plans

- Aetna PPO Dental Plan

Insured Plans

- Aetna DMO Dental Plan
- Aetna International Dental Plan
- Aetna DENTAL PPO/PDN (for SCA Employees at MPRI and GS&ES)

WageWorks Health Care Flexible Spending Account (HCFSA)

Vision Plans

Self-Insured Plan

- Vision Service Plan

Insured Plans

- Vision Service Plan SCA Employees at MRPI & GS&ES

2. L-3 Communications Corporation Welfare Plan

Aetna Short Term Disability Insurance Plan

Aetna Long Term Disability Insurance Plan

Aetna Basic Life Insurance Plan

Aetna Basic Accidental Death and Dismemberment (AD&D) Insurance Plan

WageWorks Dependent Care Flexible Spending Account (DCFSA)

3. Other L-3 Plans

WageWorks Commuter Benefit Plan

4. Voluntary Benefits Plans

Marsh Voluntary Benefits

- Group Universal Life (GUL) (MetLife)
- Voluntary Accidental Death and Dismemberment (VAD&D) Insurance Plan (Chartis)
- Long Term Care (Prudential)
- Group Home & Auto (MetLife, Travelers, Liberty Mutual, Progressive)
- MetLaw Legal Plan (Hyatt Legal Plans)

Other Voluntary Plans

- ASI Tricare Supplement Plan

Participation Period Plans1. L-3 Communications Corporation Group Health Plan

Medical Plans:

Self-Insured Plans

- Aetna HealthFund HRA Medical Plan – Option I
- Aetna HealthFund HRA Medical Plan – Option II
- Aetna Choice POS II Medical Plan
- Aetna Out-of-Area Medical Plan
- Blue Cross Blue Shield EPO Medical Plan
- L-3 Communications Prescription Drug Plan

Insured Plans

- Aetna International Medical Plan
- HMSA PPO Medical Plan for Grandfathered Employees
- HMSA HMO Medical Plan for Grandfathered Employees
- Kaiser California HMO Medical Plan
- Kaiser Mid-Atlantic HMO Medical Plan
- Aetna Managed Choice POS (Open Access) – (for SCA Employees at MPRI and GS&ES)
- Aetna Open Access Managed Choice (Aetna Health Fund) – (for SCA Employees at MPRI and GS&ES)
- L-3 Employee Assistance Plan (Empathia)

Dental Plans

Self-Insured Plans

- Aetna PPO Dental Plan

Insured Plans

- Aetna DMO Dental Plan
- Aetna International Dental Plan
- Aetna DENTAL PPO/PDN (for SCA Employees at MPRI and GS&ES)

WageWorks Health Care Flexible Spending Account (HCFSA)

Vision Plans

Self-Insured Plan

- Vision Service Plan

Insured Plans

- Vision Service Plan SCA Employees at MRPI & GS&ES

2. L-3 Communications Corporation Welfare Plan

Aetna Short Term Disability Insurance Plan

Aetna Basic Life Insurance Plan

Aetna Basic Accidental Death and Dismemberment (AD&D) Insurance Plan

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- MetLaw Legal Plan (Hyatt Legal Plans)

Other Voluntary Plans

- ASI Tricare Supplement Plan

Engility Spin-Off Welfare Plans To Be Established By Distribution Date

Aetna Long Term Disability Insurance Plan (July 1, 2012)

Business Travel Accident Insurance Plan (Chartis) – Spin Date

Split DC Plans

L-3 Communications Master Savings Plan

Engility Spinoff Nonqualified Plans

L-3 Communications Corporation Deferred Compensation Plan I
L-3 Communications Corporation Deferred Compensation Plan II

Engility Retained Nonqualified Plan

MPRI Long Term Deferred Incentive Plan

Split ESPP

L-3 Communications Corporation Amended and Restated 2009 Employee Stock Purchase Plan

TAX MATTERS AGREEMENT

This TAX MATTERS AGREEMENT is dated as of July 16, 2012, by and among L-3 Communications Holdings, Inc., a Delaware corporation (“L-3”), and Engility Holdings, Inc., a Delaware corporation (“Spinco” and, together with L-3, the “Parties”, and each individually, a “Party”).

WHEREAS, as of the date hereof, L-3 is the common parent of an affiliated group of domestic corporations within the meaning of Section 1504(a) of the Code (the “Affiliated Group”), and the members of the Affiliated Group have heretofore joined in filing consolidated federal Income Tax Returns;

WHEREAS, L-3 intends to distribute all of the outstanding shares of stock of Spinco *pro rata* to the holders of L-3 common stock in a transaction that qualifies under Section 355 of the Code; and

WHEREAS, as a result of the Distribution, the Parties desire to enter into this Tax Matters Agreement to provide for certain Tax matters, including the assignment of responsibility for the preparation and filing of Tax Returns, the payment of and indemnification for Taxes (including Taxes with respect to the Distribution and related transactions as contemplated in the Distribution Agreement and the other Ancillary Agreements), entitlement to refunds of Taxes, and the prosecution and defense of any Tax controversies;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained in this Agreement, the Parties hereby agree as follows:

ARTICLE I. DEFINITIONS

SECTION 1.1. General. Capitalized terms used in this Agreement and not defined herein shall have the meanings that such terms have in the Distribution Agreement. As used in this Agreement, the following terms shall have the following meanings:

“Affiliated Group” is defined in the preamble hereof.

“Agreement” means this Tax Matters Agreement.

“Applicable Rate” is defined in the Distribution Agreement.

“Business Day” or “Business Days” means a day which is not a Saturday, Sunday or a day on which banks in New York City are authorized or required by law to close.

“Closing of the Books Method” means the apportionment of items between portions of a taxable period based on a closing of the books and records on the Distribution Date (as if the Distribution Date was the end of the taxable period).

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Covered Spinco State Income Tax Return” means any state or local Income Tax Return of Spinco or any Spinco Subsidiary for any taxable period ending on or before the Distribution Date that Spinco is legally obligated to file after the Distribution Date according to the laws of the relevant taxing jurisdiction.

“Consolidated Return” means any Income Tax Return filed pursuant to Section 1502 of the Code, or any comparable combined, consolidated, or unitary group Income Tax Return filed under state or local Tax law with respect to which L-3 or any L-3 Subsidiary is the parent entity.

“Distribution” is defined in the Distribution Agreement.

“Distribution Agreement” means the agreement entitled “Distribution Agreement” entered into by L-3 and Spinco dated as of July 16, 2012.

“Distribution Date” means the Business Day on which the Distribution is effected.

“Final Determination” means the final resolution of liability for any Tax for any taxable period, including any related interest or penalties, by or as a result of: (i) a final and unappealable decision, judgment, decree or other order by any court of competent jurisdiction; (ii) a closing agreement or accepted offer in compromise under Section 7121 or 7122 of the Code, or comparable agreement under the laws of other jurisdictions which resolves the entire Tax liability for any taxable period; (iii) any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered by the jurisdiction imposing the Tax; or (iv) any other final disposition.

“Force Majeure” is defined in the Distribution Agreement.

“Included Party” is defined in Section 3.3(b).

“Income Tax” means any income, franchise or similar Taxes imposed on (or measured by) net income or net profits.

“Income Tax Returns” means all Tax Returns relating to Income Taxes.

“Indemnified Liability” means any liability subject to indemnification pursuant to Section 4.3.

“IRS” means the United States Internal Revenue Service.

“L-3” is defined in the preamble hereof.

“L-3 Business” is defined in the Distribution Agreement.

“L-3 Subsidiary” means any Subsidiary of L-3 other than Spinco or any Spinco Subsidiary.

“Opinion” means the opinion delivered by Simpson Thacher & Bartlett LLP pursuant to Section 3.03(c) of the Distribution Agreement.

“Other Tax” means any Tax other than an Income Tax.

“Party” is defined in the preamble hereof.

“Payment Period” is defined in Section 2.4(c).

“Preparing Party” is defined in Section 3.3(b).

“Prime Rate” is defined in the Distribution Agreement.

“Proceeding” means any audit, examination or other proceeding brought by a Taxing Authority with respect to Taxes.

“Prohibited Acts” is defined in Section 4.2.

“Restricted Period” means the two-year period commencing on the Distribution Date.

“Ruling” means the private letter ruling issued by the IRS to L-3 dated February 9, 2012 and any supplemental rulings related thereto.

“Spinco” is defined in the preamble hereof.

“Spinco Business” is defined in the Distribution Agreement.

“Spinco’s Share” is defined in Section 2.1(b).

“Spinco Subsidiary” means (i) any Subsidiary of Spinco after the Distribution Date and (ii) any Subsidiary of Spinco before the Distribution Date the successor of which is described in (i) above.

“Subsidiary” means, with respect to any Person, a corporation, partnership, limited liability company or other entity in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, has either (i) a majority ownership in the equity thereof, (ii) the power, under ordinary circumstances, to elect, or to direct the election of, a majority of the board of directors or other governing body of such entity or (iii) the title or function of general partner, or the right to designate the Person having such title or function.

“Stub Taxable Period” is defined in Section 3.3(a).

“Tax” or “Taxes” means any federal, state, local or foreign income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add on minimum, ad valorem, transfer or excise tax, or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, imposed by any Taxing Authority.

“Taxing Authority” means any governmental authority (whether United States or non-United States, and including, any state, municipality, political subdivision or governmental agency) responsible for the imposition of any Tax.

“Tax Package” is defined in Section 3.3(b).

“Tax Returns” means all reports or returns (including information returns and amended returns) required to be filed or that may be filed for any period with any Taxing Authority in connection with any Tax or Taxes (whether domestic or foreign).

SECTION 1.2. References; Interpretation. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. The words “include,” “includes” and “including” when used in this Agreement shall be deemed to be followed by the phrase “without limitation.” Unless the context otherwise requires, references in this

Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, such Agreement. Unless the context otherwise requires, the words “hereof,” “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement.

ARTICLE II. ALLOCATION OF TAX LIABILITIES

SECTION 2.1. Payment of Taxes.

(a) Income Taxes. With respect to any Income Tax Return required to be filed after the Distribution Date, the Party responsible for the filing thereof pursuant to Sections 3.1 and 3.2 shall pay to the relevant Taxing Authority all Taxes due or payable in connection with filing such Income Tax Return and shall be entitled to any refunds (including, for the avoidance of doubt, any similar credit or offset against Taxes) in connection therewith. Notwithstanding the foregoing, (i) L-3 shall be liable for, and shall be entitled to any refunds of, Taxes with respect to any Covered Spinco State Income Tax Return and (ii) with respect to any state or local Income Tax Return of Spinco or any Spinco Subsidiary for any taxable period that includes but does not end on the Distribution Date, L-3 shall be liable for, and shall be entitled to any refunds of, Taxes relating to the portion of the taxable period ending on or before the Distribution Date and Spinco shall be liable for, and shall be entitled to any refunds of, Taxes relating to the portion of the taxable period beginning after the Distribution Date. For the purpose of (ii) above, Taxes shall be apportioned between the two portions of such taxable period in accordance with the Closing of the Books Method.

(b) Adjusted Income Taxes. Notwithstanding Section 2.1(a), in the event of any subsequent adjustment to the amount of any Income Taxes relating to a taxable period beginning before the Distribution Date, Spinco shall be liable for its share of any increase in Taxes and shall be entitled to its share of any refunds (Spinco’s share of any increase in Taxes or refunds, “Spinco’s Share”), and L-3 shall be liable for all other increases in Taxes and shall be entitled to all other refunds. Spinco’s Share shall be determined in the reasonable discretion of L-3 in accordance with the following principles:

(i) In the case of any Income Tax Return that relates solely to the Spinco Business, Spinco’s Share shall include any increase in Taxes or refunds attributable to such Income Tax Return; and

(ii) In the case of any Income Tax Return that relates to both the Spinco Business and the L-3 Business, Spinco’s Share shall be determined by comparing the amount of Taxes that would be owed on (x) Tax items relating to the Spinco Business and (y) Tax items not specifically related to either the Spinco Business or the L-3 Business (including, without limitation, corporate overhead) allocable to Spinco based on a methodology reasonably determined by L-3, with and without the adjustments relating to the items listed in (x) and (y) above.

(c) Other Taxes. Spinco shall be liable for, and shall be entitled to any refunds of, all Other Taxes (excluding any such Taxes covered by Section 4.4 (g)) which Spinco or any Spinco Subsidiary is required to pay, or is entitled to receive, after the Distribution Date under applicable law. L-3 shall be liable for, and shall be entitled to any refunds of, all Other Taxes (excluding any such Taxes covered by Section 4.4 (g)) which L-3 or any L-3 Subsidiary is required to pay, or is entitled to receive, after the Distribution Date under applicable law.

(d) Distribution Taxes. Notwithstanding anything in this Section 2.1 to the contrary, and except as provided in Article IV, L-3 shall be liable for, and shall be entitled to any refunds of, any Income

Taxes imposed or incurred as a result of (i) the Distribution failing to qualify under Section 355 of the Code, (ii) the stock of Spinco distributed in the Distribution failing to be treated as qualified property pursuant to Section 355(d) or 355(e) of the Code or (iii) L-3 otherwise recognizing any gain in connection with the Distribution (including, for the avoidance of doubt, the related internal transactions described in the Ruling).

(e) State Combinations. Notwithstanding anything in this Section 2.1 to the contrary, L-3 shall be liable for any incremental state Income Taxes, and shall be entitled to receive the benefit of any reduction in state Income Taxes, resulting from a Final Determination after the Distribution Date requiring L-3 or any of its Subsidiaries (including, for the avoidance of doubt, Subsidiaries of L-3 before the Distribution Date) that file on a separate basis to file a combined, consolidated, or unitary group Tax Return for a taxable period beginning before the Distribution Date.

SECTION 2.2. Indemnity.

(a) Subject to Article IV, L-3 shall indemnify Spinco from all liability for Taxes for which L-3 is responsible pursuant to Section 2.1.

(b) Spinco shall indemnify L-3 from all liability for Taxes for which Spinco is responsible pursuant to Section 2.1.

(c) Unless otherwise agreed in writing, the indemnifying Party shall pay to the indemnified Party the amount required to be paid pursuant to Section 2.2(a) or (b) above within fifteen (15) days of being notified of the amount due by the indemnified Party, but no earlier than two Business Days prior to the date payment of such amount is required to be made to the applicable Taxing Authority. The notice by the indemnified Party requesting such payment shall be accompanied by the calculations and other information used to determine the indemnifying Party's obligations hereunder. Such payment shall be paid by the indemnifying Party to the indemnified Party by wire transfer of immediately available funds to an account designated by the indemnified Party by written notice to the indemnifying Party prior to the due date of such payment.

(d) If an adjustment to Income Taxes pursuant to a Final Determination in a Proceeding results in an adjustment described in Section 2.1(b), the indemnifying Party shall pay to the indemnified Party the amount computed pursuant to Section 2.1(b) within fifteen (15) days of the Final Determination, unless otherwise agreed in writing.

SECTION 2.3. Contests.

(a) Subject to Article IV, the right to control the conduct of any Proceeding shall belong to the Party responsible, pursuant to Sections 3.1 and 3.2, for the filing of the Tax Return to which such Proceeding relates; provided, however, that any Income Tax Proceeding commencing before the Distribution Date shall be controlled by L-3. If the Party not controlling a Proceeding could have an indemnification obligation for an adjustment to Tax pursuant to such Proceeding, such Party shall be entitled to participate in (but not control) such Proceeding at its own cost and expense.

(b) After the Distribution Date, each Party shall promptly notify the other Party in writing upon receipt of written notice of the commencement of any Proceeding or of any demand or claim upon it, which, if determined adversely, would be grounds for indemnification from such other Party pursuant to Section 2.2 or could reasonably be expected to have an adverse Tax effect on the other Party. Each Party shall, on a timely basis, keep the other Party informed of all developments in the Proceeding and provide such other Party with copies of all pleadings, briefs, orders, and other correspondence pertaining thereto.

SECTION 2.4. Treatment of Payments; After Tax Basis.

(a) L-3 and Spinco agree to treat any indemnification payments (other than payments of interest pursuant to Section 2.4(c)) pursuant to this Agreement as either a capital contribution or a distribution, as the case may be, between L-3 and Spinco occurring immediately prior to the Distribution. If the receipt or accrual of any such payment (other than payments of interest pursuant to Section 2.4(c)) results in taxable income to the indemnified Party, such payment shall be increased so that, after the payment of any Taxes with respect to the payment, the indemnified Party shall have realized the same net amount it would have realized had the payment not resulted in taxable income.

(b) To the extent that any liability for Taxes, that is subject to indemnification under Section 2.2, gives rise to a deduction, credit or other Tax benefit to the indemnified Party, the amount of any payment made under Section 2.2 shall be decreased by taking into account any actual reduction in Taxes of the indemnified Party resulting from such Tax benefit. If a reduction in Taxes of the indemnified Party occurs in a taxable period following the period in which the indemnification payment is made, the indemnified Party shall promptly repay the indemnifying Party the amount of such reduction when actually realized.

(c) Payments made pursuant to this Agreement that are not made within the period prescribed in this Agreement or, if no period is prescribed, within thirty (30) days after demand for payment is made (the "Payment Period") shall bear interest for the period from and including the date immediately following the last date of the Payment Period through and including the date of payment at a rate of simple interest per annum equal to the Applicable Rate. Such interest will be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of 365 days and the actual number of days for which due.

ARTICLE III. PREPARATION AND FILING OF TAX RETURNS

SECTION 3.1. L-3's Responsibility for the Preparation and Filing of Tax Returns.

(a) L-3 shall prepare or cause to be prepared (i) all Consolidated Returns, (ii) all other Tax Returns that it is legally obligated to file after the Distribution Date according to the laws of the relevant taxing jurisdiction and (iii) all Covered Spinco State Income Tax Returns; provided, however, that Spinco shall have the right to review and comment with respect to items on such Tax Returns if and to the extent such items directly relate to Taxes for which Spinco would be liable under Section 2.1, such comment not to be unreasonably rejected. L-3 shall file or cause to be filed all Tax Returns referred to in (i) and (ii) above and shall submit all Tax Returns referred to in (iii) above to Spinco for filing pursuant to Section 3.2.

(b) To the extent that Spinco or any Spinco Subsidiary is included in any Consolidated Return for a taxable period that includes the Distribution Date, L-3 shall include in such Consolidated Return the results of Spinco and the Spinco Subsidiaries on the basis of the closing of the books method as provided in Treas. Reg. Section 1.1502-76(b)(2)(i).

SECTION 3.2. Spinco's Responsibility for the Preparation and Filing of Tax Returns. Spinco shall prepare or cause to be prepared all Tax Returns that it is legally obligated to file after the Distribution Date according to the laws of the relevant taxing jurisdiction, other than Covered Spinco State Income Tax Returns; provided, however, that L-3 shall have the right to review and comment with respect to items on such Tax Returns if and to the extent such items directly relate to Taxes for which L-3 would be liable under Section 2.1, such comment not to be unreasonably rejected. Spinco shall file or

cause to be filed all Tax Returns that it is legally obligated to file after the Distribution Date according to the laws of the relevant taxing jurisdiction (including, for the avoidance of doubt, all Covered Spinco State Income Tax Returns prepared by L-3 pursuant to Section 3.1(a)).

SECTION 3.3. Manner of Preparation.

(a) To the extent permitted by law, any taxable period of Spinco or any Spinco Subsidiary for any state or local Income Tax purposes that would otherwise include but not end on the Distribution Date shall be bifurcated into two separate taxable periods, one ending on the Distribution Date and the other beginning on the day following the Distribution Date (each a "Stub Taxable Period"), and a separate Income Tax Return for each Stub Taxable Period shall be prepared and filed by the Party responsible for such preparation and filing pursuant to Sections 3.1 and 3.2.

(b) To the extent any Tax Return required to be prepared by L-3 pursuant to Section 3.1 contains items relating to the Spinco Business or any Tax Return required to be prepared by Spinco pursuant to Section 3.2 contains items relating to the L-3 Business, the Party not responsible for preparing such Tax Return (the "Included Party") shall, at its own cost and expense, prepare and deliver to the Party responsible for preparing such Tax Return (the "Preparing Party") a true and correct accounting of all relevant Tax Items relating to the Included Party (or any of its Subsidiaries) for the taxable period covered by such Tax Return (a "Tax Package"). Such Tax Package shall be provided in a timely manner consistent with the past practices of the Parties and their Affiliates. In the event an Included Party does not fulfill its obligations pursuant to this Section 3.3(b), the Preparing Party shall be entitled, at the sole cost and expense of the Included Party, to prepare or cause to be prepared the information required to be included in the Tax Package for purposes of preparing any such Tax Return.

(c) All Tax Returns for taxable periods beginning before the Distribution Date that are required to be filed after the Distribution Date shall be prepared in a manner consistent with past practices (e.g., accounting methods and accelerating deductions through bonus depreciation or otherwise) and the Preparing Party shall, at the Included Party's request, share with the Included Party any part of such Tax Returns relating to the Included Party (or any of its Subsidiaries) after the filing thereof.

(d) All Income Tax Returns filed on or after the Distribution Date shall be prepared in a manner that is consistent with the Ruling and the Opinion, or any other rulings obtained from other Taxing Authorities in connection with the Distribution (in the absence of a Final Determination to the contrary) and shall be filed on a timely basis (including pursuant to extensions) by the Party responsible for such filing pursuant to Sections 3.1 and 3.2. In the absence of a Final Determination to the contrary or a change in law, all Income Tax Returns of Spinco and its Subsidiaries for taxable periods beginning before the Distribution Date shall be prepared consistent with the Tax Returns of the Affiliated Group.

(e) Except to the extent required by law, Spinco shall not amend any Income Tax Return relating to a taxable period (or portion thereof) ending on or before to the Distribution Date without the written consent of L-3, not to be unreasonably withheld.

SECTION 3.4. Carrybacks. To the extent permitted by law, Spinco and its Subsidiaries shall elect to forego a carryback of any net operating losses, capital losses or credits for any taxable period ending after the Distribution Date to a taxable period, or portion thereof, ending on or before the Distribution Date. Notwithstanding anything herein to the contrary, Spinco and its Subsidiaries shall not have any right to receive the benefit of any carryback of Tax attributes created in a taxable period beginning after the Distribution Date into a Consolidated Return.

SECTION 3.5. Retention of Records; Access.

(a) L-3 and Spinco shall, and shall cause each of their Subsidiaries to, retain adequate records, documents, accounting data and other information (including computer data) necessary for the preparation and filing of all Tax Returns required to be filed by L-3 or Spinco and for any Proceeding relating to such Tax Returns or to any Taxes payable by L-3 or Spinco.

(b) L-3 and Spinco shall, and shall cause each of their Subsidiaries to, provide reasonable access to (i) all records, documents, accounting data and other information (including computer data) necessary for the preparation and filing of all Tax Returns required to be filed by L-3 or Spinco and for any Proceeding relating to such Tax Returns or to any Taxes payable by L-3 or Spinco and (ii) its personnel and premises, for the purpose of the preparation, review or audit of such Tax Returns, or in connection with any Proceeding, as reasonably requested by either L-3 or Spinco.

(c) The obligations set forth above in Sections 3.5(a) and 3.5(b) shall continue until the longer of (i) the time of a Final Determination or (ii) expiration of all applicable statutes of limitations, to which the records and information relate. For purposes of the preceding sentence, each Party shall assume that no applicable statute of limitations has expired unless such Party has received notification or otherwise has actual knowledge that such statute of limitations has expired.

SECTION 3.6. Confidentiality; Ownership of Information; Privileged Information. The provisions of Article XI of the Distribution Agreement relating to confidentiality of information, ownership of information, privileged information and related matters shall apply with equal force to any records and information prepared and/or shared by and among the Parties in carrying out the intent of this Agreement.

ARTICLE IV. DISTRIBUTION AND RELATED TAX MATTERS

Notwithstanding anything herein to the contrary, the provisions of this Article IV shall govern all matters among the parties hereto related to an Indemnified Liability.

SECTION 4.1. Compliance with the Ruling and the Opinion. L-3 and Spinco hereby confirm and agree to comply with any and all covenants, agreements and representations in the Ruling and the Opinion applicable to L-3 and Spinco, respectively.

SECTION 4.2. Opinion Requirement for Major Transactions Undertaken by Spinco During the Restricted Period. Other than pursuant to the transactions contemplated by the Distribution Agreement, Spinco agrees that during the Restricted Period it will not (i) merge or consolidate with or into any other corporation, (ii) liquidate or partially liquidate (within the meaning of such terms as defined in Section 346 and Section 302, respectively, of the Code), (iii) sell or transfer all or substantially all of its assets (within the meaning of Rev. Proc. 77-37, 1977-2 C.B. 568) in a single transaction or series of related transactions, or sell or transfer any portion of Spinco's assets that would violate the "continuity of business enterprise" requirement of Treas. Reg. Section 1.368-1(d), (iv) redeem or otherwise repurchase any of its capital stock other than pursuant to open market stock repurchase programs meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696, (v) cease the active conduct of its trade or business within the meaning of Section 355(b) of the Code, (vi) enter into any negotiations, agreements or arrangements with respect to transactions or events (including any transactions described in Sections 4.2(i)-(iv) (and, for this purpose, including any redemptions made pursuant to open market stock repurchase programs), stock issuances (pursuant to the exercise of options or otherwise), option grants, capital contributions or acquisitions, entering into any partnership or joint venture arrangements, or a series of such transactions or events, but excluding the Distribution) that may cause the Distribution to be treated as part of a plan pursuant to which one or more persons acquire directly or indirectly stock of

Spinco representing a “50-percent or greater interest” therein within the meaning of Section 355(d)(4) of the Code, or (vii) take any other action, or permit any Spinco Subsidiary to take any such action, where the taking of such action could reasonably be expected to cause the Distribution to fail to qualify under Section 355 of the Code or cause the stock of Spinco distributed in the Distribution to fail to be treated as qualified property pursuant to Section 355(e) of the Code (the acts listed in (i)-(vii) collectively, the “Prohibited Acts”). Notwithstanding the foregoing, Spinco may take any of the Prohibited Acts, subject to Section 4.3, if (x) Spinco first obtains (at its expense) an opinion in form and substance reasonably acceptable to L-3 of a nationally recognized law firm or a “big four” accounting firm reasonably acceptable to L-3, which opinion may be based on usual and customary factual representations (reasonably acceptable to L-3) or (y) at Spinco’s request, L-3 (at the expense of Spinco) obtains a supplemental ruling from the IRS, that such Prohibited Act or Acts, and any transaction related thereto, will not (a) affect any of the conclusions set forth in the Ruling, including (i) the qualification of the Distribution and certain internal transactions preceding the Distribution under Sections 355 and 368 of the Code and (ii) the nonrecognition of gain to L-3 in the Distribution, or (b) cause the stock of Spinco distributed in the Distribution to fail to be treated as qualified property pursuant to Sections 355(d) or 355(e) of the Code. Spinco may also take any of the Prohibited Acts, subject to Section 4.3, with the consent of L-3 in its sole and absolute discretion. During the Restricted Period, Spinco shall provide all information reasonably requested by L-3 relating to any transaction involving an acquisition (directly or indirectly) of Spinco stock within the meaning of Section 355(e) of the Code.

SECTION 4.3. Indemnification by Spinco. If, after the Distribution, Spinco or any of its Affiliates takes any action or enters into any agreement to take any action, including any of the Prohibited Acts as defined in Section 4.2 of this Agreement, or if there is a breach by Spinco of Section 4.1 hereof, or if there is any direct or indirect acquisition of Spinco stock, and as a result (i) the Distribution shall fail to qualify under Section 355 of the Code, (ii) the stock of Spinco distributed in the Distribution shall fail to be treated as qualified property pursuant to Section 355(d) or 355(e) of the Code or (iii) L-3 otherwise recognizes any gain in connection with the Distribution (including, for the avoidance of doubt, the related internal transactions described in the Ruling), then Spinco shall indemnify and hold harmless L-3 against any and all Taxes imposed upon or incurred by L-3 (and any Taxes of L-3 shareholders to the extent L-3 is liable with respect to such Taxes, whether to a Taxing Authority, to a shareholder or to any other person) as a result, unless such Taxes would, in any event, have been imposed upon or incurred by L-3 without regard to such actions, breaches or events, as determined at such time. L-3 shall be indemnified and held harmless under this Section 4.3 without regard to whether an opinion or supplemental ruling pertaining to the action pursuant to Section 4.2 was obtained, and without regard to whether L-3 gave its consent to such action pursuant to Section 4.2 or otherwise.

SECTION 4.4. Procedural Matters.

(a) **Notice.** If either Spinco or L-3 receives any written notice of deficiency, claim or adjustment or any other written communication from a Taxing Authority that may result in an Indemnified Liability, the Party receiving such notice or communication shall promptly give written notice thereof to the other Party, provided that any delay by L-3 in so notifying Spinco shall not relieve Spinco of any liability to L-3 hereunder except to the extent Spinco is materially and adversely prejudiced by such delay. L-3 undertakes and agrees that from and after such time as L-3 obtains knowledge that any representative of a Taxing Authority has begun to investigate or inquire into the Distribution (whether or not such investigation or inquiry is a formal or informal investigation or inquiry), L-3 shall (i) notify Spinco thereof, provided that any delay by L-3 in so notifying Spinco shall not relieve Spinco of any liability to L-3 hereunder except to the extent Spinco is materially and adversely prejudiced by such delay, (ii) consult with Spinco from time to time as to the conduct of such investigation or inquiry, (iii) provide Spinco with copies of all correspondence between L-3 or its representatives and such Taxing Authority or any representative thereof pertaining to such investigation or inquiry, (iv) cooperate with

Spinco to permit a representative (reasonably satisfactory to L-3) of Spinco to be present at, and participate in (but not control), all meetings with such Taxing Authority or any representative thereof pertaining to such investigation or inquiry, provided, that any costs relating to Spinco's representation at such meetings shall be borne by Spinco, and (v) obtain Spinco's consent, such consent not to be unreasonably withheld, to any final agreement or resolution on any or all related issues, prior to settling or agreeing to finalize any determination which may result in any economic consequence to Spinco.

(b) Tax Proceedings Controlled by L-3. With respect to any Proceeding that may result in an Indemnified Liability, L-3 shall assume and direct the defense or settlement of such Proceeding, provided that Spinco shall be entitled to participate in such Proceeding at its own cost and expense; provided, however, that L-3 shall not settle, compromise or concede any such Proceeding without Spinco's consent, not to be unreasonably withheld.

(c) Tax Proceedings Controlled by Spinco. If Spinco withholds consent to the settlement, compromise or concession of any Proceeding that is the subject of Section 4.4(b), Spinco may, upon confirmation in writing to L-3 that the liability asserted in such Proceeding would, if imposed upon or incurred by L-3 or its Subsidiaries, be an Indemnified Liability, assume and direct the defense or settlement of the Proceeding, subject to the participation and consultation of L-3, provided that, if L-3 reasonably determines that Spinco has failed to prosecute the Proceeding in a reasonable and diligent manner, L-3 may (at Spinco's expense and subject to the provisions in Section 4.4(d)) reassume and direct the defense or settlement of the Proceeding. The following provisions shall apply to any Proceeding control of which is assumed by Spinco pursuant to the preceding sentence.

(i) Upon request, during the course of the Proceeding, Spinco shall from time to time furnish L-3 with evidence reasonably satisfactory to L-3 of its ability to pay the full amount of the Indemnified Liability. If at any time during such Proceeding, L-3 reasonably determines, after due investigation, that Spinco may not be able to pay the full amount of the Indemnified Liability, if required, then Spinco shall be required to furnish a guarantee or performance bond satisfactory to L-3 in an amount equal to the amount of the Indemnified Liability asserted by the Taxing Authority. If Spinco fails to furnish such guarantee or bond, L-3 may reassume control of the Proceedings in accordance with Section 4.4(d).

(ii) Spinco shall pay all expenses directly related to the Indemnified Liability, including but not limited to reasonable fees for attorneys, accountants, expert witnesses or other consultants retained by it.

(iii) L-3 shall, at Spinco's sole cost (including but not limited to any reasonable out-of-pocket costs incurred by L-3), take such action as Spinco may reasonably request (including but not limited to the execution of powers of attorney for one or more persons designated by Spinco) in contesting the Indemnified Liability. Spinco shall, on a timely basis, keep L-3 informed of all developments in the Proceeding and provide L-3 with copies of all pleadings, briefs, orders, and other written papers pertaining thereto.

(iv) Subject to satisfaction of the conditions herein set forth, Spinco may direct L-3 to settle the Indemnified Liability on such terms and for such amount as Spinco may direct. L-3 may condition such settlement on receipt, prior to the settlement, from Spinco of the indemnity payment with respect to the Indemnified Liability less any amounts to be paid directly by Spinco to the Taxing Authority. Spinco may direct L-3, at Spinco's expense, to pay an asserted deficiency for the Indemnified Liability out of funds provided by Spinco, and to file a claim for refund.

If Spinco withholds consent to the settlement, compromise or concession of any Proceeding that is the subject of Section 4.4(b) and does not assume control of such Proceeding pursuant to this Section 4.4(c) within thirty (30) days following the request by L-3 for such consent, such Proceeding shall be controlled and directed exclusively by L-3

(d) Resumption by L-3 of Control of Tax Proceedings. With respect to any Proceeding control of which is assumed by Spinco pursuant to Section 4.4(c), should (i) Spinco fail within thirty (30) days following request therefor to furnish to L-3 evidence of its ability to pay the full amount of the Indemnified Liability, (ii) L-3 reasonably believe after due investigation that Spinco may not be able to pay the full amount of the Indemnified Liability, if required, and Spinco fails to furnish a guarantee or performance bond satisfactory to L-3 in an amount equal to the amount of the Indemnified Liability then being asserted by the Taxing Authority, or (iii) L-3 reasonably determine that Spinco has failed to prosecute the Proceeding in a reasonable and diligent manner, then L-3 may reassume control of the Proceeding and may settle such Proceeding in its discretion.

(e) Time and Manner of Payment. Unless otherwise agreed in writing, Spinco shall pay to L-3 the amount with respect to an Indemnified Liability determined pursuant to a Final Determination (less any amount paid directly by Spinco to the Taxing Authority or made available to L-3 under Section 4.4(d)) at least two Business Days prior to the date payment of the Indemnified Liability is required to be made to the Taxing Authority. Such payment shall be paid by Spinco to L-3 by wire transfer of immediately available funds to an account designated by L-3 by written notice to Spinco prior to the due date of such payment.

(f) Refund of Amounts Paid by Spinco. Should L-3 or any other member of the Affiliated Group receive a refund in respect of amounts paid by Spinco to any Taxing Authority on L-3's behalf or paid by Spinco to L-3 for payment to a Taxing Authority with respect to an Indemnified Liability, or should any such amounts that would otherwise be refundable to L-3 be applied or credited by the Taxing Authority to obligations of L-3 unrelated to an Indemnified Liability, then L-3 shall, promptly following receipt (or notification of credit), remit such refund (including any statutory interest that is included in such refund or credited amount) to Spinco.

(g) Transfer Taxes. Notwithstanding anything herein to the contrary, L-3 shall bear any and all stamp, duty, transfer, sales and use or similar Taxes incurred in connection with the Distribution.

(h) Cooperation. Subject to the provisions of Section 3.6, L-3 and Spinco shall reasonably cooperate with one another in a timely manner in any Proceeding involving any matter that may result in an Indemnified Liability. L-3 and Spinco agree that such cooperation shall include, without limitation, making available to the other Party, during normal business hours, all books, records and information, officers and employees (without substantial interruption of employment) necessary or useful in connection with any such judicial or administrative Proceeding. The Party requesting or otherwise entitled to any books, records, information, officers or employees pursuant to this Section 4.4(h) shall bear all reasonable out-of-pocket costs and expenses (except reimbursement of salaries, employee benefits and general overhead) incurred in connection with providing such books, records, information, officers or employees.

(i) Supplemental Rulings. L-3 shall provide Spinco a copy of and an opportunity to comment upon any supplemental ruling sought from the IRS with respect to the Ruling and no supplemental ruling request shall be made without Spinco's consent if such supplemental ruling would materially expand Spinco's indemnification obligations under Section 4.3.

SECTION 5.1. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been given (a) when received, if such notice or communication is delivered by facsimile, email, hand delivery or overnight courier, and (b) three Business Days after mailing if such notice or communication is sent by United States registered or certified mail, return receipt requested, first class postage prepaid. All notices and communications, to be effective, must be properly addressed to the party to whom the same is directed at its address as follows:

If to L-3, to:

L-3 Communications Holdings, Inc.
600 Third Avenue
New York, New York 10016
Attention: Steven M. Post, General Counsel
Fax: (212) 805-5306
Email: steve.post@L-3com.com

If to Spinco, to:

Engility Holdings, Inc.
3750 Centerview Drive
Chantilly, Virginia 20151
Attention: Tom Miiller
Fax: (703) 708-5703
Email: tom.miiller@engilitycorp.com

Either Party may, by written notice delivered to the other Party in accordance with this Section 5.1, change the address to which delivery of any notice shall thereafter be made.

SECTION 5.2. Amendment and Waiver. This Agreement may not be altered or amended, nor may any rights hereunder be waived, except by an instrument in writing executed by the Party or Parties to be charged with such amendment or waiver. No waiver of any terms, provision or condition of or failure to exercise or delay in exercising any rights or remedies under this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, provision, condition, right or remedy or as a waiver of any other term, provision or condition of this Agreement.

SECTION 5.3. Entire Agreement. This Agreement constitutes the entire understanding of the Parties hereto with respect to the subject matter hereof, superseding all negotiations, prior discussions and prior agreements and understandings relating to such subject matter.

SECTION 5.4. Assignment; Successors and Assigns. Neither of the Parties may assign its rights or delegate any of its duties under this Agreement without the prior written consent of each other Party. This Agreement shall be binding upon, and shall inure to the benefit of, the Parties hereto and their respective successors and permitted assigns.

SECTION 5.5. Severability. In the event that any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, and the Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 5.6. Governing Law; Jurisdiction. This Agreement shall be construed in accordance with, and governed by, the laws of the State of New York, without regard to the conflicts of law rules of such state. Each of the Parties (a) consents to submit itself to the personal jurisdiction of the courts of the State of New York or any federal court with subject matter jurisdiction located in the Southern District of New York (and any appeals court therefrom) in the event any dispute arises out of this Agreement or any transaction contemplated hereby, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any transaction contemplated hereby in any court other than such courts.

SECTION 5.7. Waiver of Jury Trial. EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 5.7.

SECTION 5.8. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same Agreement.

SECTION 5.9. Third Party Beneficiaries. This Agreement is solely for the benefit of the Parties and should not be deemed to confer upon third-parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

SECTION 5.10. Force Majeure. No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement, so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (a) notify the other Party of the nature and extent of any such Force Majeure condition and (b) use reasonable best efforts to remove any such causes and resume performance under this Agreement as soon as reasonably practicable.

SECTION 5.11. Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the day and year first above written.

L-3 COMMUNICATIONS HOLDINGS, INC.

By: /s/ Steven M. Post

Name: Steven M. Post

Title: Senior Vice President

ENGLITY HOLDINGS, INC.

By: /s/ Thomas O. Miiller

Name: Thomas O. Miiller

Title: Senior Vice President, General Counsel and Corporate Secretary

TRANSITION SERVICES AGREEMENT

between

L-3 COMMUNICATIONS CORPORATION

and

ENGILITY CORPORATION

Dated as of July 16, 2012

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TRANSITION SERVICES AGREEMENT

TRANSITION SERVICES AGREEMENT (this "Agreement"), dated as of July 16, 2012, between L-3 Communications Corporation, a Delaware corporation ("L-3"), and Engility Corporation, a Delaware corporation (formerly known as L-3 Services, Inc.) ("Engility" and, together with L-3, the "Parties", and each individually, a "Party"). Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Distribution Agreement.

RECITALS

WHEREAS, L-3 Communications Holdings, Inc., of which L-3 is a wholly owned Subsidiary, and Engility Holdings, Inc. have entered into a Distribution Agreement, dated as of July 16, 2012 (as amended, restated or modified from time to time, the "Distribution Agreement"), which contains the terms and conditions relating to the separation of the Spinco Business such that the Spinco Business is to be held, as at the Effective Time, directly or indirectly, by Engility Holdings, Inc. and its direct or indirect subsidiaries and affiliates, including Engility; and

WHEREAS, in connection therewith, L-3 will provide certain transitional services to Engility following the Distribution Date, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual agreements and covenants contained in this Agreement and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Definitions. As used herein, the following terms have the following meanings:

"Agreement" has the meaning set forth in the Preamble to this Agreement and in Article II.

"Commercially Reasonable Efforts" means the efforts that a reasonable and prudent Person desirous of achieving a business result would use in similar circumstances to ensure that such result is achieved as expeditiously as possible in the context of commercial relations of the type envisaged by this Agreement; provided, however, that an obligation to use Commercially Reasonable Efforts under this Agreement does not require the Person subject to that obligation to assume any material obligations or pay any material amounts to a Third Party.

"Consent" means any written approval, consent, ratification, waiver or other authorization.

“Contract” means any contract, agreement, lease, license, commitment, consensual obligation, promise or undertaking (whether written or oral and whether express or implied) that is legally binding on any Person or any part of its property under applicable Law.

“Distribution Agreement” has the meaning set forth in the Recitals to this Agreement.

“Dollars” or “\$” means the lawful currency of the United States of America.

“Engility” has the meaning set forth in the Preamble to this Agreement.

“Engility Group” means Engility Holdings, Inc. and its direct and indirect Subsidiaries and affiliates from time to time after the Effective Time.

“Engility Indemnified Parties” has the meaning set forth in Section 13.01.

“Event of Default” has the meaning set forth in Section 7.01.

“Expiration Date” has the meaning set forth in Article IV.

“Fair Market Value” means, in relation to the pricing of services under this Agreement, terms that would be agreed between non-affiliated third parties for comparable services on a comparable scale, as determined by mutual agreement of the Parties.

“Force Majeure Event” has the meaning set forth in Section 15.07.

“Governmental Authorization” means any Consent, license, certificate, franchise, registration or permit issued, granted, given or otherwise made available by, or under the authority of, any Governmental Entity or pursuant to any applicable Law.

“Impracticability” has the meaning set forth in Section 3.03.

“Party” has the meaning set forth in the Preamble to this Agreement.

“L-3” has the meaning set forth in the Preamble to this Agreement.

“L-3 Indemnified Parties” has the meaning set forth in Section 13.01.

“Permitted Purpose” has the meaning set forth in Section 12.02.

“Sales Taxes” means any sales, use, consumption, goods and services, value added or similar Tax, duty or charge imposed pursuant to applicable Law.

“Service(s)” has the meaning set forth in Section 3.01(b).

“Service Manager” has the meaning set forth in Section 6.07(c).

“Service Provider” means L-3 when it is providing a Service to Engility hereunder in accordance with a Transition Service Schedule.

“Service Recipient” means Engility when it is receiving a Service hereunder in accordance with a Transition Service Schedule.

“Service Recipient Representative” has the meaning set forth in Section 6.07(c).

“Subcontractor” has the meaning set forth in Article IX.

“Subsidiary” of any Person means any corporation, partnership, limited liability entity, joint venture or other organization, whether incorporated or unincorporated, of which a majority of the total voting power of capital stock or other interests entitled (without 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.

“Term” has the meaning set forth in Article IV.

“Third Party” means a Person that is not a Party to this Agreement or its Subsidiary.

“Transition Service Schedule” has the meaning set forth in Article II.

Section 1.02 Currency. Except as otherwise specified in a Transition Service Schedule, all references to currency herein are to lawful money of the United States of America.

ARTICLE II TRANSITION SERVICE SCHEDULES

This Agreement will govern individual transition Services to be provided to Engility, the details of which are set forth in the Transition Service Schedules attached to and forming part of this Agreement (each transition service schedule, a “Transition Service Schedule”).

For each Service, the Parties shall set forth in a Transition Service Schedule, among other things (i) the time period during which the Service will be provided if different from the Term of this Agreement, (ii) a summary of the Service to be provided and (iii) the charge for the Service or the method for determining the charge for the Service and any other terms the Parties deem applicable thereto. Obligations regarding a Transition Service Schedule shall be effective upon the Distribution Date. This Agreement and all the Transition Service Schedules shall be defined as the “Agreement” and each Transition Service Schedule is incorporated herein wherever reference to this Agreement is made.

ARTICLE III
SERVICES

Section 3.01 Services Generally.

(a) Except as otherwise provided in the Transition Service Schedule, for the Term hereof, L-3 shall provide or cause to be provided to Engility the Services described in the Transition Service Schedules.

(b) Each of the services on the Transition Service Schedule shall be referred to herein as a "Service." Collectively, the services described on all the Transition Service Schedules shall be referred to herein as the "Services."

(c) During the Term, Service Recipient may request any Service previously provided to it by Service Provider that it deems reasonably necessary for the ongoing operation of the Spinco Business in substantially the same manner that it was conducted by Service Provider immediately prior to the Distribution. Service Provider will use Commercially Reasonable Efforts to provide all such requested Services to Service Recipient, but only if such Services were provided by Service Provider to Service Recipient prior to the Distribution Date, except in the event of an Impracticability or as otherwise provided in this Agreement.

Section 3.02 Service Levels. Except as otherwise provided in the Transition Service Schedule for a specific Service: (a) the Service Provider shall provide the Services only to the extent such Services are being provided immediately prior to the Distribution Date and at a level of service substantially similar to that provided immediately prior to the Distribution Date and (ii) the Services will be available only for purposes of conducting the business of the Service Recipient substantially in the manner it was conducted prior to the Effective Time; provided, however, that nothing in this Agreement will require the Service Provider to favor the Service Recipient over its other business operations. All Services are provided on an "as is" basis, and L-3 is permitted to modify all Services as it sees fit in the ordinary course of its business.

Section 3.03 Impracticability. The Service Provider shall not be required to provide any Service to the extent the performance of such Service becomes impractical due to cause or causes outside the reasonable control of the Service Provider, including, without limitation, failure of the Service Recipient to comply with Section 6.01, unfeasible technological requirements, or to the extent the performance of such Services would require the Service Provider to violate any applicable Law, or would result in the breach of any license, Governmental Authorization or Contract (each, an "Impracticability.").

Section 3.04 Additional Resources. In accordance with Section 6.07 below and except as specifically provided in a Transition Service Schedule for a specific Service, in providing the Services, the Service Provider shall not be obligated to: (a) hire any additional employees; (b) maintain the employment of any specific employee; (c) purchase, lease or license any additional facilities, equipment or software; or (d) pay any costs related to the transfer or conversion of the Service Recipient's data to the Service Provider or any alternate supplier of Services.

Section 3.05 Additional Services. The Transition Service Schedules may be amended at any time by mutually agreed upon amendment of this Agreement to add additional Services. The charges for such additional Services shall be as set forth in the amended Transition Service Schedules.

ARTICLE IV
TERM

The term of this Agreement shall commence on the Distribution Date and end 18 months following the Distribution Date, unless earlier terminated under Article VII (the "Term", and the last day of the Term, the "Expiration Date"). The Parties may agree on an earlier expiration date respecting a specific Service by specifying such date on the Transition Service Schedule for that Service. Services shall be provided up to and including the date set forth in the applicable Transition Service Schedule, subject to earlier termination as provided in Article VII. It shall be the sole responsibility of the Service Recipient, upon and after expiration or early termination of this Agreement with respect to a specific Service, to perform, render and provide for itself (or to make arrangements with one or more Third Party service providers to perform, render and provide) such Service, and to do all necessary planning and make all necessary preparations in connection therewith.

ARTICLE V
COMPENSATION

Section 5.01 Charges for Services. The Service Recipient shall pay (a) the Service Provider or (b) the Third Party service provider, as applicable, (i) the Dollar value charges, or (ii) the charges determined by the method, in either case, if any, set forth on the Transition Service Schedules for each of the Services listed therein, or, if no such charges are specifically indicated otherwise, by the Fair Market Value of the Services. If there is any inconsistency between the Transition Services Schedule and this Section 5.01, the terms of the Transition Service Schedule shall govern.

Section 5.02 Payment Terms. Except as otherwise specified in a Transition Service Schedule, the Service Provider shall invoice the Service Recipient monthly (or on such other basis as the Parties may mutually determine) for all charges for Services to be paid to the Service Provider as set forth on the Transition Service Schedules pursuant to this Agreement. Such invoices shall generally identify the Services provided to the Service Recipient during the preceding month and specify the Service fee applicable to each Service so identified. Except as otherwise specified in a Transition Service Schedule, the Service Recipient shall pay the Service Provider for all such Services within 30 days after receipt of an invoice therefor by wire transfer of immediately available funds to the account designated by the Service Provider for this purpose. Late payments shall bear interest at a rate per annum equal to the Prime Rate plus 2.0%, calculated for the actual number of days elapsed, accrued from and excluding the date on which such payment was due up to and including the date of payment. Late payment for any Service provided hereunder shall entitle Service Provider to suspend, at Service Provider's sole discretion, the provision of any or all Services to Service Recipient hereunder.

Section 5.03 Taxes. The fees and charges payable by the Service Recipient under this Agreement and set forth on the Transition Service Schedules shall be exclusive of any Sales Taxes or excise Taxes or any customs or import charges or duties or any similar charges or duties which may be imposed by any Governmental Entity in connection with the purchase or delivery of the Services or materials to the Service Recipient. The Service Recipient shall remit to the Service Provider any Sales Taxes properly payable to the Service Provider pursuant to this Agreement. Applicable Sales Taxes shall be indicated by the Service Provider separately on all of the Service Provider's invoices. The Parties shall cooperate with each other to minimize any applicable Sales Taxes and each shall provide the other with any reasonable certificates or documents which are useful for such purpose.

Section 5.04 Records and Audits. Service Provider shall maintain detailed books and records of the costs on which the fees charged to Service Recipient hereunder have been based. Service Recipient shall have the right, at its sole cost and expense, to have the applicable books and records of Service Provider audited by a nationally recognized independent certified public accountant, mutually selected by the Parties, under appropriate confidentiality provisions, for the purpose of verifying the accuracy of all fees and out-of-pocket cost calculations under this Agreement. Any such audit shall be conducted no more than twice during the Term and shall be conducted upon at least thirty (30) days' advance notice during normal business hours and in a manner that does not interfere unreasonably with Service Provider's business. The results of any such audit shall be binding on the Parties absent manifest error, and shall be delivered in writing to each Party. Any underpayment or overbilling determined by such audit shall promptly be paid by Service Recipient or refunded by Service Provider, as applicable, plus interest at a rate of simple interest per annum equal to the Applicable Rate, from the date of any such underpayment or overbilling.

ARTICLE VI GENERAL OBLIGATIONS

Section 6.01 Performance Metrics. Subject to Article III and any other term or condition of this Agreement, each Party shall maintain sufficient resources to perform their obligations hereunder. Any specific performance metrics for the Service Provider or the Third Party service provider for a specific Service may be set forth in the corresponding Transition Service Schedule. Where none is set forth, the Service Provider shall (consistent with the other terms and conditions of this Agreement) use Commercially Reasonable Efforts to provide Services, or to cause the Services to be provided, in accordance with the policies, procedures, service levels and practices in effect before the Distribution Date and shall exercise the same care and skill as the Service Provider exercises in performing similar services for itself. To the extent within the possession and control of the Service Recipient, the Service Recipient shall (i) provide, and shall cause the other relevant members of the Engility Group to provide, the Service Provider, Third Party service provider and/or Subcontractor with any and all information and documentation, and (ii) take actions and make decisions in a timely manner, in each case sufficient for the Service Provider to perform the Services it is obligated to perform hereunder (and to perform its obligation to cause the Services to be provided, where applicable) as they were performed before the Distribution Date and shall make available, as reasonably requested by the Service Provider, sufficient resources and timely decisions, approvals and acceptances in order that the Service Provider may perform its obligations hereunder in a timely manner.

Section 6.02 Disclaimer of Warranties. No Party makes any warranties or conditions, express, implied, conventional or statutory, including but not limited to, the implied warranties or conditions of merchantability, of quality or fitness for a particular purpose, with respect to the Services or other items or deliverables provided by it or any Third Party service provider.

Section 6.03 Transitional Nature of Services; Changes. The Parties acknowledge the transitional nature of the Services and that the Service Provider may make changes from time to time in the manner of performing the Services if the Service Provider is making similar changes in performing similar services for itself.

Section 6.04 Responsibilities for Errors; Changes. Except as set forth in Article XIII, the Service Provider's sole responsibility to the Service Recipient:

- (a) for material errors or omissions in Services, shall be to furnish correct information, payment and/or adjustment in the Services, at no additional cost or expense to the Service Recipient; provided, that the Service Provider must promptly advise the Service Recipient of any such material error or omission of which it becomes aware; and
- (b) for failure to deliver any Service because of Impracticability, shall be to use Commercially Reasonable Efforts, subject to Section 3.03, to make the Services available or to resume performing the Services as promptly as reasonably practicable.

Section 6.05 Cooperation and Consents. The Parties shall cooperate with each other in all matters relating to the provision and receipt of Services. Such cooperation shall include exchanging information, performing true-ups and adjustments and obtaining all Third Party Consents, licenses or sublicenses necessary to permit each Party to perform its obligations hereunder (including by way of example, not by way of limitation, rights to use Third Party software needed for the performance of Services). Pursuant to Section 10.03, the costs of obtaining such Third Party Consents, licenses or sublicenses shall be borne by the Service Recipient.

Section 6.06 Alternatives. If the Service Provider reasonably believes it is unable to provide any Service because of a failure to obtain necessary Consents, licenses or sublicenses pursuant to Section 6.05 or because of Impracticability, the Parties shall reasonably and in good faith cooperate to determine the best alternative approach. Until such alternative approach is found or the problem otherwise resolved to the reasonable satisfaction of the Parties, the Service Provider shall not be obligated to continue providing the Service. To the extent an agreed upon alternative approach requires the occurrence of costs or expenditures above and beyond that which is included in the Service Provider's charge for the Service in question, such additional costs and expenditures shall be discussed between the Parties and, unless otherwise agreed, be borne by the Service Recipient.

Section 6.07 Personnel.

(a) Right to Designate and Change Personnel. The Service Provider will have the right to designate which personnel it will assign to perform the Services. The Service Provider also will have the right to remove and replace any such personnel at any time or designate any of its Affiliates or a Subcontractor at any time to perform the Services, pursuant to Article IX; provided, however, that the Service Provider will use Commercially Reasonable Efforts to limit the disruption to the Service Recipient in the transition of the Services to different personnel or to a Subcontractor. In the event that personnel with the designated level of experience are not then employed by the Service Provider, the Service Provider will use Commercially Reasonable Efforts to provide such personnel or Subcontractor personnel having an adequate level of experience; provided, however, that the Service Provider will have no obligation to retain any individual employee for the sole purpose of providing the applicable Services.

(b) Financial Responsibility. The Service Provider will directly pay for all personnel expenses, including wages, of its employees performing the Services.

(c) Service Managers and Service Recipient Representatives. During the Term of this Agreement, the Parties will appoint (i) in the case of the Service Provider, one of its employees (the "Service Manager") for each Service as indicated in each Transition Service Schedule who will have responsibility for managing and coordinating the delivery of such Service and (ii) in the case of the Service Recipient, one of its employees (the "Service Recipient Representative") for each Service as indicated in each Transition Service Schedule who will have responsibility for managing and coordinating the Service Recipient's utilization of such Service. The Service Managers will coordinate and consult with the Service Recipient Representatives. The Parties may, at their discretion, select other individuals to serve in these capacities during the Term of this Agreement upon providing notice to the other Party. For greater certainty, a Service Manager or a Service Recipient Representative may serve as such in respect of one or more Transition Service Schedules.

Section 6.08 Insurance. Each Party shall obtain and maintain at its own expense insurance of the type generally maintained in the ordinary course of its business. The Service Provider shall not be required to obtain and maintain any particular insurance in relation to providing any Service.

ARTICLE VII
TERMINATION

Section 7.01 Termination. Service Recipient may terminate any Service, with or without cause, at any time upon at least 60 days' prior notice to the Service Provider, except with respect to the Services described on Transition Service Schedule No. 1 (Ethics Training Module System), No. 2 (Health/Welfare Plans), No. 3 (Health/Welfare Services Support), No. 11 (File 2011 and 2012 Federal and State Income Tax Return) and No. 12 (Travel Program), each of which Services shall remain in effect until the termination date for such Service as indicated on the applicable Transition Service Schedule. As soon as reasonably practicable following receipt of any such early termination notice, the Service Provider shall advise the Service Recipient as to whether termination of such Service will (a) require the termination or partial termination of, or otherwise affect the provision of, certain other Services or (b) result in any early termination

costs, including those related to Subcontractors. In the event that such termination is expected by the Service Provider to result in any early termination costs, the Service Provider will provide to the Service Recipient such information as it has reasonably available regarding the estimated amount of such costs, which in the case of a Subcontractor may be based upon information provided by such Subcontractor. Any early termination costs shall be borne by the Service Recipient.

In addition, the Parties agree that either Party may terminate this Agreement (and the corresponding Transition Service Schedule) with respect to a specific Service upon providing notice to the other Party in the event that an Event of Default occurs in relation to such other Party, and such termination shall take effect immediately upon the non-defaulting Party providing such notice to the other (except as otherwise specified in clause (c) below).

For the purposes of this Agreement, each of the following shall individually and collectively constitute an “Event of Default”:

(a) in relation to the Service Recipient, if the Service Recipient defaults in payment to the Service Provider of any payments which are due and payable by it to the Service Provider pursuant to this Agreement, and such default is not cured within 15 days following receipt by the Service Recipient of notice of such default;

(b) either Party breaches any of its material obligations to the other Party pursuant to this Agreement (other than as set out in paragraph (a) above), and fails to cure it within 30 days after receipt of written notice from the non-defaulting Party specifying the default in reasonable detail and demanding that it be rectified; provided, that if such breach is not capable of being cured within 30 days after receipt of such written notice and the Party in default has diligently pursued efforts to cure the default within the 30 day period, no Event of Default under this paragraph (b) shall occur; and provided, further, that no failure of the Service Provider to provide any Services shall constitute an “Event of Default” if such failure is a result of the Service Recipient’s failure to comply with its obligations under the final sentence of Section 6.01 in all respects; and

(c) either Party (i) is bankrupt or insolvent or takes the benefit of any statute in force for bankrupt or insolvent debtors, or (ii) files a proposal or takes any action or proceeding before any court of competent jurisdiction for its dissolution, winding-up or liquidation, or for the liquidation of its assets, or a receiver is appointed in respect of its assets, which order, filing or appointment is not rescinded within 60 days.

Section 7.02 Survival. Notwithstanding the foregoing, in the event of any termination or expiration with respect to one or more Services, but less than all Services, this Agreement shall continue in full force and effect with respect to any Services not terminated or expired. Section 5.04 and Articles VII, X, XII, XIII and XV shall survive the termination or expiration of this Agreement in accordance with its terms (where applicable).

Section 7.03 Payment. Immediately following the Expiration Date, the Service Provider shall cease, or cause its Subcontractors to cease, providing the Services, and the Service

Recipient shall promptly pay or cause the other relevant members of the Engility Group to which it belongs, to promptly pay all fees accrued pursuant to Article V but unpaid to the Service Provider.

Section 7.04 User ID; Passwords. The Parties shall use Commercially Reasonable Efforts upon the termination or expiration of this Agreement or of any specific Service hereto to ensure that access by one Party to the other Party's systems is cancelled.

ARTICLE VIII
RELATIONSHIP BETWEEN THE PARTIES

The Service Provider is and will remain at all times an independent contractor in the performance of all Services hereunder. In all matters relating to this Agreement, the Service Provider will be solely responsible for the acts of its employees and agents, and employees or agents of the Service Provider shall not be considered employees or agents of the Service Recipient. Except as otherwise provided herein, the Service Provider will not have any right, power or authority to create any obligation, express or implied, on behalf of the Service Recipient nor shall the Service Provider act or represent or hold itself out as having authority to act as an agent or partner of the Service Recipient, or in any way bind or commit the Service Recipient to any obligations. Nothing in this Agreement is intended to create or constitute a joint venture, partnership, agency, trust or other association of any kind between the Parties or Persons referred to herein, and each Party shall be responsible only for its respective obligations as set forth in this Agreement. Neither the Service Provider nor its employees shall be considered an employee or agent of the Service Recipient for any purpose, except as expressly agreed by the Parties. The Service Provider shall have sole responsibility for the supervision, daily direction and control, payment of salary (including withholding of income taxes and deductions at source), worker's compensation, disability benefits and the like of its employees.

ARTICLE IX
SUBCONTRACTORS

The Service Provider may engage a "Subcontractor" to perform all or any portion of the Service Provider's duties under this Agreement. As used in this Agreement, "Subcontractor" will mean any Person or entity engaged to perform hereunder, other than employees of the Service Provider or its Affiliates.

ARTICLE X
INTELLECTUAL PROPERTY

Section 10.01 Allocation of Rights by Ancillary Agreements. This Agreement and the performance of this Agreement will not affect the ownership of any patent, trademark or copyright or other intellectual property rights allocated in the Distribution Agreement or any of the Ancillary Agreements.

Section 10.02 Existing Ownership Rights Unaffected. Neither Party will gain, by virtue of this Agreement, any rights of ownership of copyrights, patents, trade secrets, trademarks or any other intellectual property rights owned by the other.

Section 10.03 Third Party Software. In addition to the consideration set forth elsewhere in this Agreement, the Service Recipient shall also pay any amounts (and applicable Sales Taxes) that are required to be paid to any licensors of software that is used by the Service Provider (other than as a part of its normal operations), to the extent that such software is used in connection with the provision of any Service hereunder, and any amounts (and applicable Sales Taxes) that are required to be paid by the Service Provider to any such licensors to obtain the Consent of such licensors to allow the Service Provider to provide any of the Services hereunder.

Section 10.04 Termination of Licenses. Any license granted hereunder by the Service Provider shall terminate and be of no further force and effect upon the expiration or early termination of this Agreement or the termination of the particular Service associated with the granted license, if earlier.

ARTICLE XI
NO OBLIGATION

Neither Party assumes any responsibility or obligation whatsoever, other than the responsibilities and obligations expressly set forth in this Agreement (including the schedules hereto), in the Distribution Agreement or in a separate written agreement between the Parties.

ARTICLE XII
CONFIDENTIALITY

Section 12.01 Confidentiality. The terms of the Confidentiality provisions set forth in Article XI of the Distribution Agreement shall apply to all Confidential Information disclosed in the course of the Parties' interactions under this Agreement. This Article XII sets out additional matters regarding Confidential Information for the purposes of this Agreement.

Section 12.02 Permitted Purpose. The term "Permitted Purpose" means the provision of a Service by the Service Provider or its Subcontractors to the Service Recipient under this Agreement.

Section 12.03 Disclosure. The Service Provider and its Subcontractors may use Confidential Information in connection with a Permitted Purpose; provided, that:

- (a) the Service Provider shall not disclose any Confidential Information to any employee of the Service Provider or to any of its Subcontractors who does not have a need to know such Confidential Information in order to perform the Permitted Purpose; and
- (b) the Service Provider and its Subcontractors shall not use the Confidential Information other than for such Permitted Purpose.

Section 12.04 Expiration of Confidentiality Provisions. The obligations of the Parties under this Article XII shall expire on the third anniversary of the date of this Agreement.

ARTICLE XIII
LIMITATION OF LIABILITY AND INDEMNIFICATION

Section 13.01 Indemnification. L-3 shall indemnify, defend and hold harmless Engility, each other member of the Engility Group and each of their respective directors, officers and employees, and each of the heirs, executors, trustees, administrators, successors and assignors of any of the foregoing (collectively, the "Engility Indemnified Parties"), from and against any and all Liabilities of the Engility Indemnified Parties incurred by, borne by or asserted against any of them directly resulting from any of the following items (without duplication):

- (a) the breach or the failure of performance by L-3 of any of the covenants, promises, undertakings or agreements which it is obligated to perform under this Agreement;
- (b) death of or injury of any person whomsoever, including but not limited to directors, officers, employees, servants or agents of Engility, of another member of the Engility Group or contractors, resulting from the acts or omissions of L-3 or its Affiliates under or in connection with this Agreement, to the extent that such Liabilities are not covered by worker's compensation;
- (c) loss of, or damage to, or destruction of any property whatsoever, including without limitation, property of Engility or of another member of the Engility Group, resulting from the acts or omissions of L-3 or its Affiliates under or in connection with this Agreement, to the extent such liabilities are not covered by insurance; and
- (d) any claim or assertion that the execution or performance by Engility of its obligations under this Agreement violates or interferes with any contractual or other right or obligation or relationship of L-3 to or with any other Person,

caused by, arising out of, or in any way related to this Agreement, but subject however to the limitations of liability provided in Section 13.02 of this Agreement.

Engility shall indemnify, defend and hold harmless L-3, its Subsidiaries and each of their and its respective directors, officers and employees, and each of the heirs, executors, trustees, administrators, successors and assignors of any of the foregoing (collectively, the "L-3 Indemnified Parties"), from and against any and all Liabilities of the L-3 Indemnified Parties incurred by, borne by or asserted against any of them directly resulting from any of the following items (without duplication):

- (a) the breach or the failure of performance by Engility of any of the covenants, promises, undertakings or agreements which it is obligated to perform under this Agreement (including Engility's failure to pay Third Party service provider's bills on a timely basis);
- (b) death of or injury of any person whomsoever, including but not limited to directors, officers, employees, servants or agents of L-3, its Subsidiaries or its contractors, resulting from the acts or omissions of Engility or its Affiliates under or in connection with this Agreement, to the extent that such Liabilities are not covered by worker's compensation;

(c) loss of, or damage to, or destruction of any property whatsoever, including without limitation, property of L-3 or of any of its Subsidiaries, resulting from the acts or omissions of Engility or its Affiliates under or in connection with this Agreement, to the extent such liabilities are not covered by insurance; and

(d) any claim or assertion that the execution or performance by L-3 of its obligations under this Agreement violates or interferes with any contractual or other right or obligation or relationship of Engility to or with any other Person,

caused by, arising out of, or in any way related to this Agreement, but subject however to the limitations of liability provided in Section 13.02 of this Agreement.

Section 13.02 Limitation of Liability. Notwithstanding anything to the contrary herein, the total aggregate liability of the Service Provider to the Service Recipient for all events, acts or omissions of the Service Provider under or in connection with this Agreement or the Services provided by the Service Provider hereunder, whether based on an action or claim in contract, warranty, equity, negligence, tort or otherwise, shall not exceed an amount equal to the the greater of (i) \$250,000 and (ii) solely in the case of gross negligence by the Service Provider (but for the sake of clarity, not any Third Party) in the performance of its obligations hereunder, the amount that the Service Recipient has actually paid the Service Provider for such Services under this Agreement.

In no event shall a Party or any Subsidiary or Affiliate of that Party be liable to any member of the other Party or any Subsidiary or Affiliate of the other Party for any special, consequential, indirect, collateral, incidental or punitive damages, lost profits, or failure to realize expected savings, or other commercial or economic loss of any kind, however caused and on any theory of liability (including negligence), arising in any way out of this Agreement, whether or not such Person has been advised for the possibility of any such damages.

Section 13.03 Provisions Applicable with respect to Indemnification Obligations. Article VI of the Distribution Agreement shall apply *mutatis mutandis* with respect to any Liability subject to indemnification or reimbursement pursuant to this Article XIII.

ARTICLE XIV ASSIGNMENT

Section 14.01 Prohibition of Assignment. Neither Party shall assign or transfer this Agreement, in whole or in part, or any interest or obligation arising under this Agreement except as permitted by Section 6.07(a) and Section 14.02, without the prior written consent of the other Party.

Section 14.02 Assignment to L-3. L-3 may elect to have one or more of its Subsidiaries or Affiliates assume the rights and obligations of L-3 under this Agreement.

ARTICLE XV
MISCELLANEOUS

Section 15.01 Notices. All notices and other communications hereunder shall be given in the manner set forth in Section 13.02 of the Distribution Agreement.

Section 15.02 Governing Law; Jurisdiction. This Agreement shall be construed in accordance with, and governed by, the laws of the State of New York, without regard to the conflicts of law rules of such state. Each of the Parties (a) consents to submit itself to the personal jurisdiction of the courts of the State of New York or any federal court with subject matter jurisdiction located in the Southern District of New York (and any appeals court therefrom) in the event any dispute arises out of this Agreement or any Ancillary Agreement or any transaction contemplated hereby or thereby, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any Ancillary Agreement or any transaction contemplated hereby or thereby in any court other than such courts.

Section 15.03 Waiver of Jury Trial. EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 15.03.

Section 15.04 Judgment Currency. The obligations of the Service Recipient to make payments hereunder shall not be discharged by an amount paid in any currency other than Dollars, whether pursuant to a court order or judgment or arbitral award or otherwise, to the extent that the amount so paid upon conversion to Dollars and transferred to an account indicated by the Service Provider under normal banking procedures does not yield the amount of Dollars due; and the Service Recipient, as a separate obligation and notwithstanding any such judgment, agrees to indemnify the Service Provider against, and to pay to the Service Provider on demand, in Dollars, any difference between the sum originally due in Dollars and the amount of Dollars received upon any such conversion and transfer.

Section 15.05 Entire Agreement. This Agreement, the other Ancillary Agreements, the Distribution Agreement and exhibits, schedules and appendices hereto (including the Transition Services Schedules) and thereto, and the specific agreements contemplated herein or thereby, contain the entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter. No agreements or understandings exist between the Parties other than those set forth or referred to herein or therein.

Section 15.06 Conflicts. In case of any conflict or inconsistency between this Agreement and the Distribution Agreement with respect to the Services, this Agreement shall prevail. In case of any conflict or inconsistency between the terms and conditions of this Agreement (excluding, for the purpose of this Section 15.06, any Transition Service Schedule thereto) and the terms of any Transition Service Schedule, the provisions of the Transition Service Schedule shall prevail.

Section 15.07 Force Majeure. No Party shall be deemed in default of this Agreement to the extent that any delay or failure in the performance of its obligations under this Agreement results from superior force (“Force Majeure”) or any act, occurrence or omission beyond its reasonable control, such as fires, explosions, accidents, strikes, lockouts or labor disturbances, floods, droughts, earthquakes, epidemics, seizures of cargo, wars (whether or not declared), civil commotion, acts of God or the public enemy, action of any government, legislature, court or other Governmental Entity, action by any authority, representative or organization exercising or claiming to exercise powers of a government or Governmental Entity, compliance with applicable Law, blockades, power failures or curtailments, inadequacy or shortages or curtailments or cessation of supplies of raw materials or other supplies, failure or breakdown of equipment of facilities or, in the case of computer systems, any failure in electrical or air conditioning equipment (a “Force Majeure Event”). If a Force Majeure Event has occurred and its effects are continuing, then, upon notice by the Party who is delayed or prevented from performing its obligations to the other Party (i) the affected provisions or other requirements of this Agreement shall be suspended to the extent necessary during the period of such disability, (ii) the Party which is delayed or prevented from performing its obligations by a Force Majeure Event shall have the right to apportion its Services in an equitable manner to all users and (iii) such Party shall have no liability to the other Party or any other Person in connection therewith. The Party which is delayed or prevented from performing its obligations by the Force Majeure Event shall resume full performance of this Agreement as soon as reasonably practicable following the cessation of the Force Majeure Event (or the consequences thereof).

Section 15.08 Amendment and Waiver. This Agreement may not be altered or amended, nor may any rights hereunder be waived, except by an instrument in writing executed by the Parties. No waiver of any terms, provision or condition of or failure to exercise or delay in exercising any rights or remedies under this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, provision, condition, right or remedy or as a waiver of any other term, provision or condition of this Agreement.

Section 15.09 Further Assurances. Each Party agrees to use Commercially Reasonable Efforts to execute any and all documents and to perform such other acts as may be necessary or expedient to further the purposes of this Agreement and the relations contemplated hereby. Without limiting the foregoing and the provisions of the Distribution Agreement, each Party shall make available during normal business hours for inspection and copying by the other Party and such other Persons as the other Party shall designate in writing, all books and records in the possession which relate to the Services and which are necessary to confirm the said Party’s compliance with its obligations under this Agreement.

Section 15.10 Severability. The provisions of this Agreement are severable and should any provision hereof be void, voidable or unenforceable under any applicable Law, such provision shall not affect or invalidate any other provision of this Agreement, which shall continue to govern the relative rights and duties of the Parties as though such void, voidable or unenforceable provision were not a part hereof.

Section 15.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original instrument, but all of which together shall constitute but one and the same Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto have executed and delivered this Agreement as of the day and year first above written.

L-3 COMMUNICATIONS CORPORATION

By: /s/ Steven M. Post

Name: Steven M. Post

Title: Senior Vice President

ENGILITY CORPORATION

By: /s/ Thomas O. Miiller

Name: Thomas O. Miiller

Title: Senior Vice President, General Counsel and Corporate Secretary

[Signature Page to Engility Transition Services Agreement]

General Description of Service	Service Provider/L-3 - Point of Contact	Service Recipient/ Engility - Point of Contact	Transition Term Expiration Date for Applicable Service	Pricing	Additional Information
<p>1 <i>Ethics Training Module System</i> Third Party service provider: SAI Global Service Provider will provide Service Recipient with a set of 4 master discs containing the SAI training module content licensed by the Service Provider for use by the Service Recipient until the Transition Term Expiration Date for this Service.</p>	<p>L-3 Communications Corporation Service Manager: Kathy Press Address: 600 Third Ave, New York, NY 10016 Phone: (212) 805-5712 Fax: (212) 805-5602 E-mail: Kathy.Press@L-3com.com</p>	<p>Engility Corporation Representative: Cristina Potter Address: 3750 Centerview Drive Chantilly, VA 20151 Phone: (703) 375-6512 Fax: (703) 708-5703 E-mail: Cristina.Potter@Engilitycorp.com</p>	<p>12/31/2012</p>	<p>\$3,766.00 per month will be billed by L-3 to Engility.*</p>	<p>Service Recipient may use training content on their existing tracking and reporting system(s) for the remainder of 2012 (after which time, use of training content shall cease). Service Provider will not be responsible to support or host this training for Service Recipient.</p>
<p>2 <i>Health/Welfare Plans</i> Third Party service providers: Aetna, Blue Cross Blue Shield, Kaiser Permanente, HMSA, Empathia, Wells Fargo, Gallagher Benefit Services, Executive Health, SHPS, Active Health, Onsite Wellness, Pathfinder Health, WageWorks, VSP, ASI, Marsh Voluntary Benefits, Zurich, HDMS, Aetna International, Chartis, Mitchell Silverberg and Knupp LLP, Sibson MGC Workers' Compensation Matters: ACE, Chartis, ESIS, Zurich</p>	<p>L-3 Communications Corporation Service Manager for Health/Welfare Plans: Sabina Marotta Address: 600 Third Ave, New York, NY 10016 Phone: (212) 805-5371 Fax: (212) 805-5333 E-mail: Sabina.Marotta@L-3com.com Service Manager for Workers' Compensation: Al Blake Address: 600 Third Ave, New York, NY 10016 Phone: (858) 694-7908 Fax: (858) 694-7906 E-mail: Al.Blake@L-3com.com</p>	<p>Engility Corporation Representative: Tom Murray/Debra Bosman Address: 3750 Centerview Drive Chantilly, VA 20151 Phone: (703) 375-6481 Fax: (703) 390-8375 E-mail: Tom.Murray@Engilitycorp.com</p>	<p>12/31/2012 (except for IBNR and Workers' Compensation matters which may extend beyond this date until claims run out)</p>	<p>Estimated to be approximately \$4,231,897.00 per month based on section 4.a-m of attached Schedule 2.a. Actual monthly pricing will be billed by L-3 to Engility.* Additionally, Engility shall reimburse L-3 for any and all costs and expenses incurred by L-3 in connection with workers' compensation claims related to past or present employees of Engility or any of Engility's affiliates or their predecessor companies. See Attachment C to Schedule 2.a for a general description of workers' compensation coverage and services. Actual monthly pricing for workers' compensation charges will be billed by L-3 to Engility.*</p>	<p>As set forth on attached Schedule 2.a: Health & Welfare Schedule</p>
<p>3 <i>Health/Welfare Services Support</i> Third Party service provider: Xerox</p>	<p>L-3 Communications Corporation Service Manager: Sabina Marotta Address: 600 Third Ave, New York, NY 10016 Phone: (212) 805-5371 Fax: (212) 805-5333 E-mail: Sabina.Marotta@L-3com.com</p>	<p>Engility Corporation Representative: Tom Murray/Debra Bosman Address: 3750 Centerview Drive Chantilly, VA 20151 Phone: (703) 375-6481 Fax: (703) 390-8375 E-mail: Tom.Murray@Engilitycorp.com</p>	<p>12/31/2012</p>	<p>Estimated to be approximately \$41,730.00 per month based on section 4.a-m of attached Schedule 2.a. Actual monthly pricing will be billed by L-3 to Engility.*</p>	<p>As set forth on attached schedule 2.a: Health & Welfare Schedule</p>
<p>4 <i>Email Forwarding Service</i> Service Provider currently provides Service Recipient with email services for Service Recipient domains. Service Provider will continue to forward emails from legacy Service Provider email addresses to new Service Recipient email addresses until the Transition Term Expiration Date for this Service.</p>	<p>L-3 Communications Corporation Service Manager: Steve Davidson Address: 1 Federal St, Camden, NJ 08102 Phone: (856) 338-2331 Fax: (856) 338-4418 E-mail: Stephen.Davidson@L-3com.com</p>	<p>Engility Corporation Representative: Paul Hibbs Address: 3750 Centerview Drive, Chantilly, VA 20151 Phone: (703) 375-6576 Fax: (703) 708-5702 E-mail: Paul.Hibbs@Engilitycorp.com</p>	<p>2 months from Distribution Date</p>	<p>No charge for this Service during stated transition term.</p>	
<p>5 <i>Utilization of Service Provider's IP Addresses</i> (148.104.32.0; 166.20.95.0/24; 166.20.96.0/24; 166.20.108.0/23; 166.20.117.0/24; 166.20.118.0/23; 166.20.120.0/24; 166.20.128.0/23; 166.20.130.0/24; 166.20.131.0/24; 166.20.132.0/23; 166.20.188.0/22; 166.20.208.0/23; 166.20.220.0/23; 148.104.96.0/20; 166.20.93.0/24; 166.20.192.0/20; 166.20.222.0/24; 141.199.120.0/22;</p>	<p>L-3 Communications Corporation Service Manager: Steve Davidson Address: 1 Federal St, Camden, NJ 08102 Phone: (856) 338-2331 Fax: (856) 338-4418 E-mail: Stephen.Davidson@L-3com.com</p>	<p>Engility Corporation Representative: Paul Hibbs Address: 3750 Centerview Drive, Chantilly, VA 20151 Phone: (703) 375-6576 Fax: (703) 708-5702 E-mail: Paul.Hibbs@Engilitycorp.com</p>	<p>6 months from Distribution Date</p>	<p>No charge for this Service during stated transition term.</p>	<p>On Distribution Date, Service Recipient will ensure that these address are only used internal to their business. Service Recipient must discontinue their use at the end of the transition term.</p>

141.199.125.0/24;
141.199.126.0/23;
141.199.128.0/20;
141.199.145.0/24;
141.199.146.0/23;
141.199.148.0/23;
141.199.152.0/23;
141.199.155.0/24;
141.199.156.0/24)

Service Provider currently provides Service Recipient with IP address space and will continue to do so until the Transition Term Expiration Date for this Service.

General Description of Service	Service Provider/L-3 - Point of Contact	Service Recipient/Engility - Point of Contact	Transition Term Expiration Date for Applicable Service	Pricing	Additional Information
<p>6 <i>Telecommunication Services</i> Third Party service provider: AT&T Wireless</p> <p>L-3 has established pricing agreements for telecommunication services which the Service Recipient utilizes. L-3 will continue to provide use of established pricing to the Service Recipient after the Distribution Date until the Transition Term Expiration Date for this Service.</p>	<p>L-3 Communications Corporation Service Manager: Steve Davidson Address: 1 Federal St., Camden, NJ 08102 Phone: (856) 338-2331 Fax: (856) 338-4418 E-mail: Stephen.Davidson@L-3com.com</p>	<p>Engility Corporation Representative: Paul Hibbs Address: 3750 Centerview Drive, Chantilly, VA 20151 Phone: (703) 375-6576 Fax: (703) 708-5702 E-mail: Paul.Hibbs@Engilitycorp.com</p>	3/27/2013	<p>Estimated to be approximately \$34,038.00 per month based on historical monthly costs. Actual monthly charges will be billed directly by Third Party service provider to Engility.</p>	<p>Service Recipient may discontinue use of this service at any time by notifying telecommunications provider of discontinuance. Upon Expiration Date or discontinuance by Service Recipient, Service Recipient will be removed from L-3's contract with Third Party Service provider.</p>
<p>7 <i>Wire Line Voice and Data</i> Third Party service provider: AT&T</p> <p>L-3 has established pricing agreements for telecommunication services which the Service Recipient utilizes. L-3 will continue to provide use of established pricing to the Service Recipient after the Distribution Date until the Transition Term Expiration Date for this Service.</p>	<p>L-3 Communications Corporation Service Manager: Steve Davidson Address: 1 Federal St., Camden, NJ 08102 Phone: (856) 338-2331 Fax: (856) 338-4418 E-mail: Stephen.Davidson@L-3com.com</p>	<p>Engility Corporation Representative: Paul Hibbs Address: 3750 Centerview Drive, Chantilly, VA 20151 Phone: (703) 375-6576 Fax: (703) 708-5702 E-mail: Paul.Hibbs@Engilitycorp.com</p>	6/1/2013	<p>Estimated to be approximately \$253,294.00 per month based on historical monthly costs. Actual monthly charges will be billed directly by Third Party service provider to Engility.</p>	<p>Service Recipient may discontinue use of this service at any time by notifying telecommunications provider of discontinuance. Upon Expiration Date or discontinuance by Service Recipient, Service Recipient will be removed from L-3's contract with Third Party Service provider and all services will be terminated/disconnected.</p>
<p>8 <i>Telecommunication Services</i> Third Party service provider: Verizon Wireless</p> <p>L-3 has established pricing agreements for telecommunication services which the Service Recipient utilizes. L-3 will continue to provide use of established pricing to the Service Recipient after the Distribution Date until the Transition Term Expiration Date for this Service.</p>	<p>L-3 Communications Corporation Service Manager: Steve Davidson Address: 1 Federal St., Camden, NJ 08102 Phone: (856) 338-2331 Fax: (856) 338-4418 E-mail: Stephen.Davidson@L-3com.com</p>	<p>Engility Corporation Representative: Paul Hibbs Address: 3750 Centerview Drive, Chantilly, VA 20151 Phone: (703) 375-6576 Fax: (703) 708-5702 E-mail: Paul.Hibbs@Engilitycorp.com</p>	11/30/2012	<p>Estimated to be approximately \$171,199.00 per month based on historical monthly costs. Actual monthly charges are expected to be billed directly by Third Party service provider to Engility.</p>	<p>Service Recipient may discontinue use of this service at any time by notifying telecommunications provider of discontinuance. Upon Expiration Date or discontinuance by Service Recipient, Service Recipient will be removed from L-3's contract with Third Party Service provider.</p>
<p>9 <i>Telecommunication Services</i> Third Party service provider: T-Mobile</p> <p>L-3 has established pricing agreements for telecommunication services which the Service Recipient utilizes. L-3 will continue to provide use of established pricing to the Service Recipient after the Distribution Date until the Transition Term Expiration Date for this Service.</p>	<p>L-3 Communications Corporation Service Manager: Steve Davidson Address: 1 Federal St, Camden, NJ 08102 Phone: (856) 338-2331 Fax: (856) 338-4418 E-mail: Stephen.Davidson@L-3com.com</p>	<p>Engility Corporation Representative: Paul Hibbs Address: 3750 Centerview Drive, Chantilly, VA 20151 Phone: (703) 375-6576 Fax: (703) 708-5702 E-mail: Paul.Hibbs@Engilitycorp.com</p>	12/31/2012	<p>Estimated to be approximately \$11,239.00 per month based on historical monthly costs. Actual monthly charges will be billed directly by Third Party service provider to Engility.</p>	<p>Service Recipient may discontinue use of this service at any time by notifying telecommunications provider of discontinuance. Upon Expiration Date or discontinuance by Service Recipient, Service Recipient will be removed from L-3's contract with Third Party Service provider.</p>
<p>10 <i>Telecommunication Services</i> Third Party service provider: Sprint</p> <p>L-3 has established pricing agreements for telecommunication services which the Service Recipient utilizes. L-3 will continue to provide use of established pricing to the Service Recipient after the Distribution Date until the Transition Term Expiration Date for this Service.</p>	<p>L-3 Communications Corporation Service Manager: Steve Davidson Address: 1 Federal St, Camden, NJ 08102 Phone: (856) 338-2331 Fax: (856) 338-4418 E-mail: Stephen.Davidson@L-3com.com</p>	<p>Engility Corporation Representative: Paul Hibbs Address: 3750 Centerview Drive, Chantilly, VA 20151 Phone: (703) 375-6576 Fax: (703) 708-5702 E-mail: Paul.Hibbs@Engilitycorp.com</p>	6 months from Distribution Date	<p>Estimated to be approximately \$29,492.00 per month based on historical monthly costs. Actual monthly charges will be billed directly by Third Party service provider to Engility.</p>	<p>Service Recipient may discontinue use of this service at any time by notifying telecommunications provider of discontinuance. Upon Expiration Date or discontinuance by Service Recipient, Service Recipient will be removed from L-3's contract with Third Party Service provider.</p>

<u>General Description of Service</u>	<u>Service Provider/L-3 - Point of Contact</u>	<u>Service Recipient/Engility - Point of Contact</u>	<u>Transition Term Expiration Date for Applicable Service</u>	<u>Pricing</u>	<u>Additional Information</u>
11 <i>File 2011 and 2012 Federal and State Income Tax Returns</i> Includes the following services: <ul style="list-style-type: none"> Service Recipient's federal tax returns for 2011 tax year and stub period from 1/1/12 to Distribution Date. Service Recipient's state tax returns for 2011 and stub period returns from 1/1/12 to Distribution Date. 	L-3 Communications Corporation Service Manager: Larry Van Blerkom Address: 600 Third Ave, New York, NY, 10016 Phone: (212) 805-5357 Fax: (212) 682-7959 E-mail: Lawrence.VanBlerkom@L-3com.com	Engility Corporation Representative: Mike Alber Address: 3750 Centerview Drive, Chantilly, VA 20151 Phone: (703) 375-6409 Fax: (703) 708-5703 E-mail: Mike.Alber@Engilitycorp.com	10/15/2013	Estimated to be approximately \$216,430.00 based on historical costs. Actual charges will be billed by L-3 to Engility.	As set forth in the Tax Matters Agreement. This Service does not include the following services for 2011 and 2012: preparation of estimated tax payments or other potential quarterly tax compliance-related tasks.
12 <i>Travel Program</i> Third Party service provider: AMEX - Travel Services L-3 currently has established pricing agreements with American Express Travel, and with airline, hotel, Hertz Rent-A-Car and other vendors. L-3 will continue to provide use of established pricing to the Service Recipient after the Distribution Date until the Transition Term Expiration Date for this Service.	L-3 Communications Corporation Service Manager: Doug Schneider Address: 600 Third Ave, New York, NY 10016 Phone: (212) 805-5609 Fax: (212) 805-5602 E-mail: Doug.Schneider@L-3com.com	Engility Corporation Representative: Michael Dallara Address: 3750 Centerview Drive, Chantilly VA 20151 Phone: (703) 375-6581 Fax: (703) 708-5703 E-mail: Michael.Dallara@Engilitycorp.com	12/31/2013	Estimated to be approximately \$104,011.00 per month based on historical monthly costs for services described in attached schedule 12.a. Actual monthly charges are expected to be billed by L-3 to Engility.*	Engility must follow L-3 travel policies and procedures. Any changes Engility wants to make that may impact travel supplier agreements must be pre-approved by L-3 in writing if acceptable to L-3 in its sole discretion. Additional information is set forth on attached schedule 12.a: Travel Services.
13 <i>Taleo usage rights and L-3 application administration</i> Third Party service provider: Taleo Third Party service provider will provide separate instance of system for Service Recipient's use after the Distribution Date until the Transition Term Expiration Date for this Service. L-3 will provide system administrative services in support of the Service Recipient, including maintenance of master data, user and permission management and primary interface to Taleo for service issues.	L-3 Communications Corporation <ul style="list-style-type: none"> Contractual contact: Erin Pfarner Address: 2116 Arlington Downs Road, Arlington, TX 76011 Phone: (817) 619-4721 Fax: n/a E-mail: Erin.Pfarner@L-3com.com Functional contact: Marissa Daly Address: 600 Third Ave, New York, NY 10016 Phone: (212) 805-5316 Fax: n/a E-mail: Marissa.Daly@L-3com.com 	Engility Corporation Representative: Tom Murray Address: 3750 Centerview Drive, Chantilly, VA 20151 Phone: (703) 375-6481 Fax: (703) 390-8375 E-mail: Tom.Murray@Engilitycorp.com	5/30/2013	\$54,900.00 for Service Recipient's right to use the Taleo System will be billed by L-3 to Engility.* L-3 system administration services will be invoiced to Engility at cost under the Transitional Consulting Services (Item 14) on this schedule.	If this Service is terminated early, the \$54,900.00 shall be payable by Service Recipient as an early termination fee.
14 <i>Transitional Consulting Services</i> Various L-3 employees may be requested by Engility to provide consulting time in order to assist with transition until the Transition Term Expiration Date for this Service.	L-3 Communications Corporation <ul style="list-style-type: none"> Operational contacts: Various employees with subject matter knowledge Organizational contact: Kristin Courcy Address: 600 Third Ave., New York, NY 10016 Phone: (212) 805-5426 Fax: (212) 805-5602 E-mail: Kristin.Courcy@L-3com.com 	Engility Corporation <ul style="list-style-type: none"> Operational contacts: Various employees who require subject matter knowledge Organizational contact: Michael Dallara Address: 3750 Centerview Drive, Chantilly, VA 20151 Phone: (703) 375-6581 Fax: (703) 708-5703 E-mail: Michael.Dallara@Engilitycorp.com 	12/31/2013	From Distribution Date - Sept. 30, 2012: cost From Oct. 1, 2012 - Dec. 31, 2013: cost + 10%. To be billed directly by L-3 to Engility.	Cost = aggregate total of all consultants' hourly rates + fringe rate of 55%.

* Pursuant to Article XIII of the Agreement, Engility will promptly indemnify L-3 for all costs and expenses to L-3 associated with Engility's failure to pay any fees or pass through fees owed to a Third Party service provider in a timely manner.

Health and Welfare Plan Administration
Schedule 2.a

Description of service as of Distribution Date – December 31, 2012:

L-3 will provide continuation of coverage and administrative support for insured and self-insured benefit plans and other Health & Welfare programs as follows:

1. Medical (including Incentive Credit Accounts) and Prescription Drugs (including mail order Rx fulfillment)
2. Dental
3. Vision
4. Short term disability (including state statutory plans)
5. Long term disability (separate Engility contract with Aetna as of July 1, 2012)
6. Basic Life and Basic Accidental Death and Dismemberment insurance
7. Employee assistance program (Empathia)
8. COBRA (SHPS)
9. Flexible spending accounts (FSA) (Wageworks)
10. Commuter benefits (pre-tax and post-tax) (Wageworks)
11. Voluntary plans through Marsh@Work Solutions (GUL; LTC; VAD&D; Group Legal; Group auto/home)
12. TALX

During the Transition Period, L-3 shall provide the following services:

1. Engility employees will have continued use of the L-3 Benefit Center (XEROX) including but not limited to website, customer service, eligibility, employee and dependent enrollments, qualifying family status changes, etc.
2. Engility HR Representatives will be able to process post-closing employment activity such as new hires, terminations, employee transfers etc.
3. XEROX will continue to process and transmit (where applicable) all vendor interface files for employee eligibility, employee data changes, terminations, etc. including preparation of required monthly insured premium statements, self-insured ASO statements and invoices for any other health and welfare administrative costs incurred by L-3 on behalf of Engility throughout the HR Transition Services period (see Attachment B for file feed details).
4. L-3 will invoice and Engility will reimburse L-3 for costs and services provided as follows (see Attachment A for additional information):
 - a. Self-insured medical/Rx, dental and vision coverage – During the Transition Period, Engility will be billed on an actual administrative fees and claims paid basis for all Engility medical/Rx claims below the Stop-Loss point (\$150,000). Engility will be billed for all claims paid on or after the first of the month following spin date regardless of incurred date; this includes claims incurred before the end of the Transition Period (December 31, 2012) and presented for payment after January 1, 2013 (run-out claims). The current accrual payment and charge back process will continue in place for the full spin month.

- b. SCA employees covered under the L-3 SCA VEBA will no longer be covered within the SCA VEBA as of midnight of the day prior to July 1, 2012. SCA VEBA claims incurred prior to July 1, 2012, and presented for payment after July 1, 2012 will continue to be paid from the SCA VEBA and not charged back to Engility. These employees will be eligible for new fully insured medical/Rx, dental and vision plans as of July 1, 2012.
- c. Fully insured coverage – billed on a premium rate basis for fully insured medical/Rx, dental, vision, basic life and AD&D, short term disability, long-term disability and any other similar plans invoiced to L-3 on behalf of Engility employees commencing with the first full month after spin date.
- d. Other vendor and/or administrative services – billed on an administrative fees paid basis commencing with the first full month after spin date.
- e. FSA administration (HCRA & DCRA) will continue to be handled by L-3's vendor – Wameworks. Payroll deductions for FSA contributions will be processed by Engility payroll (Ceridian) through the Transition Period. Engility will retain deducted FSA contributions and L-3 will bill Engility for FSA claims and administrative expense for all 2012 claims submitted through March 31, 2013.
- f. Incentive Credit Accounts (ICA) associated with the Aetna POS II and Blue Cross EPO will continue to be handled by L-3's vendor, Wameworks. WageWorks ICA fund balances in WageWorks accounts as of December 31, 2012 will be used to pay for claims incurred prior to January 1, 2013 (run out claims). Engility will be billed by L-3 for ICA credits paid to employees and WageWorks' administration fees. Remaining outstanding notional ICA balance information will be transferred to Engility employees who continue enrollment in incentive credit eligible plans by WageWorks on or shortly after April 1, 2013. Notional ICA fund balance information will also be transmitted to Aetna on or shortly after April 1, 2013 for those employees who switch to the Aetna HealthFund (AHF) as of January 1, 2013.
- g. Aetna HealthFund HRA balances remaining as of December 31, 2012, if any, will be used to pay for claims incurred prior to January 1, 2013 (run out claims). Aetna will transfer remaining 2012 notional HRA balances to Engility employees who continue enrollment in the AHF plans on or shortly after April 1, 2013. Balances are not transferred for employees who leave the AHF to enroll in a different Engility plan (e.g. Aetna POS II, Blue Cross EPO).
- h. Commuter expense benefits will continue to be handled by L-3's vendor – WageWorks. Payroll deductions for pre and post tax contributions will be processed by Engility's payroll vendor for the entire Transition Period. Engility will retain contributions and be billed by L-3 Corporate for claims and administrative expense.
- i. Voluntary Benefits Plans – Group Universal Life (GUL), Long Term Care insurance (LTC), Voluntary AD&D(VADD), Group legal and Group Home/Auto premiums will be payroll deducted by Engility's Payroll Center. Administrative and customer services currently provided by L-3's Voluntary Plans administrator – Marsh@Work Solutions will also continue through the Transitional Services Period.

- j. During the transition period, short-term disability coverage and administration will be provided by L-3 as currently administered. Long-term disability coverage resulting from a disability that occurs prior to July 1, 2012 will be provided by L-3. Long-term disability coverage resulting from a disability that occurs on or after July 1, 2012 will be insured under an Engility LTD plan with Aetna that became effective July 1, 2012.
 - k. COBRA coverage for employees who are terminated (or otherwise have a COBRA “qualifying event”) prior to July 18, 2012 will be provided by L-3 for the duration of the applicable COBRA period. COBRA coverage for employees who are terminated (or otherwise have a COBRA “qualifying event”) on or after July 18, 2012 will be provided by L-3 until December 31, 2012, at which point they will receive the required HIPAA Notice of Credible Coverage.
 - l. Engility will be billed the current Benefit Overhead Charge (BOC) of \$8.00 per “benefit eligible” employee per month during the transition period, including employees on COBRA who are terminated (or otherwise have a COBRA “qualifying event”) on or after July 18, 2012. This fee covers outside vendor costs including EAP, COBRA administration, L-3 ERISA attorney fees, annual enrollment communications, etc. Engility will not be billed a current Benefit Overhead Charge for employees on COBRA who are terminated (or otherwise have a COBRA “qualifying event”) prior to July 18, 2012; provided, that all COBRA premiums paid by such employees shall be directed to L-3.
 - m. Engility will be billed for consulting time spent by L-3 Corporate staff associated with oversight and administration of Engility plans after the spin-date.
- 5. Effective with the Closing Date, Business Travel and Accident coverage (BTA), Unemployment and ISOS coverage is excluded from this agreement and will be insured and managed by Engility. See Attachment C for additional information regarding Workers’ Compensation.
 - 6. Effective with the Closing Date, Engility will have entered into its own contract with TALX for state unemployment eligibility/benefit administration and employment verifications. Engility via their Ceridian payroll will provide TALX with appropriate payroll data. Separation costs incurred with TALX for setting up Engility will be borne by L-3.
 - 7. Effective with the end date of the Transition Period, December 31, 2012, L-3 will cease to have any responsibility to provide health care benefits to Engility except for processing and billing for run-out claims.

All Health & Welfare transition benefits will end on December 31, 2012.

Provider:

Organization: L-3 Human Resources – Benefits
Address: L-3 Communications
600 Third Avenue
New York New York 10016
Contact: Poppy-Anne Koch
Director, Health and Welfare plans
Phone: 858.552.9507
Email: Poppy-Anne.Koch@l-3com.com

Receiver:

Organization: Engility
Address:
Contact: Debra Bosman
Benefits Director
Phone: 703-375-6443
Confidential Fax: 703-995-4506 Confidential Fax
Email: Debra.Bosman@l-3com.com

Basis for cost:

Other than the costs identified on this schedule, both L-3 and Engility will pay their respective costs in supporting the migration of Engility off of L-3 business infrastructure including but not limited to conversion efforts and knowledge transfer.

See attached schedule for Health and Welfare costs and respective start-up and on-going fees.

Benefit/Vendor Costs:

L-3 will bill Engility for all health and welfare plan costs (insured plan premiums, self-insured plan claims and fees, administrative vendor fees) on a mutually agreeable payment schedule with Engility.

Estimated cost:

See Basis for Cost above and in the schedule below

Term of service: Through December 31, 2012 (except for administration of run-out associated with run-out claims).

<u>Vendor Schedule</u>	<u>Contact Name</u>	<u>Telephone Fax</u>	<u>Product</u>	<u>Employer Cost</u>
Aetna Medical/Rx MosesAB@aetna.com	Ann B. Moses Senior Account Executive Aetna Metro NY/NNJ National Accounts	P: 860.335.0652 F: 860.907.3731	AHF POS II Rx plan administration	ASO fee: \$43.90 PEPM – AHF ASO fee:\$42.36 PEPM – POS II ASO fee: \$-0- Rx Claims billed as incurred
Anthem Blue Cross Blue Shield Anthem National Accounts 3 Huntington Quadrangle Melville, NY 11747 peter.lunde@antem.com	Peter Lunde National Account Executive	P: 631.751.4628 C: 631. 678.6535 F: 631.751.0116	EPO plan administration	ASO fee: \$48.49 PEPM – EPO Claims billed as incurred
ActiveHealth Management 1333 Broadway, 4th Floor New York, NY 10018 jkeim@activehealth.net	Jeremy W. Keim Senior Account Executive	P: 626.421.6677 C: 646.641.2313	Disease Management administration	ASO fee: \$4.90 PEPM – all
Vision Service Plan 3333 Quality Dr. MS 164 Rancho Cordova, CA 95670 heather.heibeck@vsp.com	Heather Heibeck	P: 916.851.4247 F: 916.463.9030	Vision plan administration	ASO fee: 6% of paid claims Claims billed as incurred
Aetna MosesAB@aetna.com	Ann B. Moses	P: 860.335.0652 F: 860.907.3731	Medical/dental TBD for SCA VEBA	Premiums as billed
Empathia cwilson@empathia.com	Carol Wilson	P: 800.634.6433	Employee Assistance Program	Included in BOC service charge
ASI (Tricare Supplement) pmarshall@asicorporation.com	Pauline Marshall	P: 800.638.2610, ext. 113		Premiums as billed
Aetna Dental (DMO) MosesAB@aetna.com	Ann B. Moses	P: 860.335.0652 F: 860. 907.3731	DMO	Premiums as billed – DMO ASO fee: \$2.78 PEPM Claims billed as incurred
Kaiser Permanente (CA and Mid-Atlantic) 2101 East Jefferson Street 6th Floor East Rockville, MD 20852 Maureen.M.Breheny@kp.org	Maureen M. Brehenys Senior Account Manager Kaiser Permanente	P: 301.816.6871 F: 301.816.7187	HMO	Premiums as billed
HMSA Hawaii Medical Service Association www.HMSA.com	David Shiroma Account Executive Account Management & Sales	P: 808.948.6069 F: 808.948.6653	PPO/HMO	Premiums as billed
Aetna International 980 Jolly Road, U13S Blue Bell, PA 19422 GaffneyJ@aetna.com	Jody Gaffney International Account Executive	P: 215.775.0367 F: 860.975.1399	Medical/Dental coverage	Premiums as billed
Chartis jack_savulich@ajg.com	Jack Savulich Gallagher Benefits Services	P: 212.918.9625	BTA/War Risk	Premiums as billed
Aetna Life & Disability MosesAB@aetna.com	Ann B. Moses	P: 860.335.0652 F: 860.907.3731	Life and AD&D Insurance	Premiums as billed
Aetna Life & Disability MosesAB@aetna.com	Ann B. Moses	P: 860.335.0652 F: 860. 907.3731	Short and Long- term Disability Insurance	Premiums/fees as billed
Marsh Voluntary Benefits (various insurers) 12421 Meredith Drive Urbandale, IA 50398 ddennis.m.chartier@Marshpm.com	Dennis M. Chartier, FLMI v Vice President, Client Executive	P: 515.365.3126 C: 515.365.0296	GUL, LTC, VAD&D, MetLaw, Auto/Home	Premiums as billed
WageWorks Eunice.jackson@wageworks.com	Eunice Jackson, CFC Manager, Client Services	P: 209.952.9095 C: 650.703.2060	Flexible Spending Accounts administration	Administration fee billed to Engility \$4.20 per participant per month
WageWorks Eunice.jackson@wageworks.com	Eunice Jackson, CFC Manager, Client Services	P: 209.952.9095 C: 650.703.2060	Incentive Credit Account administration	Admin fee will be billed - \$6.00 per account per month
WageWorks Eunice.jackson@wageworks.com	Eunice Jackson, CFC Manager, Client Services	P: 209.952.9095 C: 650.703.2060	Commuter Account administration	Admin fee will be billed - \$4.95 per participant per month
L-3 ERISA Attorney RLO@msk.com	Robert Lowe	P: 310.312.3180	As needed	Included in BOC service charge

<u>Vendor Schedule</u>	<u>Contact Name</u>	<u>Telephone Fax</u>	<u>Product</u>	<u>Employer Cost</u>
Sibson/MGC 333 West 34th Street New York, NY 10001-24 rcarter@sibson.com	Randolph B. Carter Senior Vice President, Communications	P: 212.251.5022 C: 917.531.4797 F: 212.251.5909	Communication	Included in BOC service charge
SHPS, Inc 11405 Bluegrass Pkwy Louisville, KY 40299 todd.rogers@shps.com	Todd Rogers Client Service Manager SHPS COBRA Operations	P: 502.261.3546	COBRA administration	Included in BOC service charge
HDMS ecarten@hdms.com	Elizabeth Carten Senior Consultant	P: 857.239.9500 C: 312.909.7435	Self-insured health plan data aggregation	Included in BOC service charge
Xerox HR Solutions, LLP 101 Woodcrest Road Cherry Hill, NJ 08003 keith.s.brown@acs-inc.com	Keith Brown	P: 856.651.2830 F: 856.651.3124 C: 757.619.9022	H&W benefit administration	Billed at \$72.00 per eligible employee per annum, billed monthly
Zurich Insurance Co. Ltd 7045 College Blvd. Overland Park, Kansas 66211 cherie.russell@zurichna.com	Cherie Russell	P: 913.664.4707 F: 913.664.4026	Life insurance, AD&D insurance, Long-term disability insurance	Premiums as billed

*Health and Welfare Benefits
Interface Requirements
For L-3 Communications*

*Version 1.0
March 28, 2012*

To XEROX

#	File / Interface	File Generator	Frequency	Run Day: Date when the file is currently run	"As of" Day: Date through which the file will reflect updates
1	Demographic File	Ceridian Engility stand-alone payroll	Twice a Week	Tuesday, Friday	09/28/2011
2	Payroll Back Feed	Ceridian Engility stand-alone payroll	Quarterly	1/25 (Bi- Weekly 2/ Weekly) and 1/18 (Bi- Weekly 1)	Last Payroll Run
3	FSA Deposits	Ceridian Engility stand-alone payroll	Weekly	Friday	Last Payroll File Run

From XEROX

#	File / Interface	File Receiver	Frequency	Run Day: Date when the file is currently run	"As of" Day: Date through which the file will reflect updates
1	FSA File	Wageworks	Weekly	Tuesday	Run Date
2	Payroll Interface	Ceridian Engility stand-alone payroll	Weekly	Thursday	Run Date
3	Disability File	Aetna	Weekly	Wednesday	Run Date
4	MSP	Wageworks	Quarterly	15 th of the Month	Run Date
5	Medical / Dental / Vision /RX	Medical / Dental / Vision / RX Carriers	Weekly, except Aetna and Anthem 2 x per week	Tuesday for Aetna & BCBS Thursday for Aetna International and all others	Friday/Wednesday
6	COBRA	SHPS	Twice a Week	Wednesday/ Saturday	Run Date
7	Initial COBRA Rights	SHPS	Weekly	Wednesday/ Saturday	Run Date
8	Group Legal	Marsh	Weekly	Tuesday	Run Date
9	Demographic Changes File	Ceridian Engility stand-alone payroll	Weekly	Thursdays	Run Date
10	Vendor Billing & Payment	L-3 Communications Medical/ Dental/ RX/ Vision/ Life Insurance Carriers	Monthly	Monthly - See revised calendar.	Run Date
11	Quarterly Reconciliation with healthcare carriers	Ongoing reconciliation with carriers to ensure covered lives match XEROX and Carrier	Quarterly	N/A	Dates to be Determined

Attachment C to Health and Welfare Plan Administration Schedule 2.a

Workers' Compensation Insurance

Type of Insurance	Insurer/TPA	Policy Term	Deductible or Program Type	Claim Management Services
WC/EL	Chartis/ESIS	2/1/12 –	\$1,000,000	L-3 shall be available to provide services to assist Engility in managing Engility (or Engility affiliated or predecessor company) related worker's compensation claims associated with occurrences that took place prior to the Distribution Date, whether or not those occurrence based claims were reported prior to the Distribution Date. In addition, at Engility's request, L-3 shall be available to offer non-binding recommendations with respect to Engility's potential settlement of such claims.
	Chartis/ESIS	2/1/13	\$1,000,000	
	Ace/ESIS	2/1/11 – 2/1/12 2003 to 2/1/11	250K – 1M	
WC/EL-DBA	Zurich – Current	6/30/11 – 6/30/12	Guaranteed cost.	L-3 shall be available to provide services to assist Engility in managing Engility (or Engility affiliated or predecessor company) related worker's compensation claims associated with occurrences that took place prior to the Distribution Date, whether or not those occurrence based claims were reported prior to the Distribution Date. In addition, at Engility's request, L-3 shall be available to offer non-binding recommendations with respect to Engility's potential settlement of such claims.
	Chartis – Current Ace – 2003-2010	6/1/11 – 6/1/12	Premium exposure reimbursed by the Government (whole or in part).	
WC/EL - DBA	Zurich North America	6/30/2012 – 6/30/2013	Guaranteed cost. Premium exposure reimbursed by the Government (whole or in part).	L-3 shall be available to provide services to assist Engility in managing Engility (or Engility affiliated or predecessor company) related worker's compensation claims associated with occurrences that took place prior to the Distribution Date, whether or not those occurrence based claims were reported prior to the Distribution Date. In addition, at Engility's request, L-3 shall be available to offer non-binding recommendations with respect to Engility's potential settlement of such claims.

Travel Services
Schedule 12.a

Description of Service as of Distribution Date – December 31, 2013:

TRAVEL AGENCY (AMERICAN EXPRESS TRAVEL):

Engility will have access to:

- A dedicated L-3/Engility team of travel reservation specialists via telephone. Service hours will mirror L-3's current service configuration.
- An online dedicated travel reservation tool for the booking of domestic USA & Canada travel reservations as applicable 24 hours a day/7 days a week.

Services will include all bookings (by telephone or online) of Engility business travel via airline, hotel, car rental, groups/meetings and all other normal travel related services. All current L-3/American Express Travel contract service and performance standards will apply to Engility. Any changes of current practices or procedures need to be approved in advance by the L-3 Director, Global Travel.

Engility will pay a "pro-rated" share of L-3's monthly American Express billing costs. The "Pro-rata share" will be determined as the amount of Engility's total airfare spent in a given month as a percentage of L-3's and Engility's total airfare spend with American Express .

Example: July 1, 2012 thru July 31, 2012 - Total Airfare booked/ticked via American Express = \$8.0MM (Engility = \$1.2MM and L-3 = \$6.8MM) Engility in this example will be billed by L-3 (Not American Express) 15% of our total American Express charges for the month. L-3 can and will provide the monthly American Express billing as backup along with a report run by American Express Travel on a monthly basis breaking out the percentage of each Company. Using "Airfares" as the measurement is standard travel industry practice.

a) AIRLINES:

Engility travelers will utilize L-3 airline contracts based on the understanding by the airline suppliers that the L-3 travel team will be directing and managing the booking process. American Express Travel Agency transaction fees will be passed through from L-3 on a monthly billing statement.

b) HOTELS:

All hotel charges are paid directly by Engility travelers and/or Engility.

c) CAR RENTAL:

All car rental charges are paid directly by Engility travelers and/or Engility.

d) OTHER SERVICES:

All other L-3 current travel supplier contracts will be available to Engility for utilization until December 31, 2013. These additional services include but are not limited to:

(a) Negotiated Airport Parking and (b) International VISA Services and Ground Transportation Services.

All travel service benefits will end on December 31, 2013.

*Confidential treatment has been requested with respect to the information contained with the [**] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission*

**MASTER SUPPLY AGREEMENT BETWEEN
L-3 COMMUNICATIONS CORPORATION
AND ENGLITY CORPORATION**

This **MASTER SUPPLY AGREEMENT** (“Agreement”) is made by and between L-3 Communications Corporation, a Delaware corporation with its principal office located at 600 Third Avenue, New York, New York, 10016 (“Seller”) and Engility Corporation, a Delaware corporation with its principal office located at 3750 Centerview Drive, Chantilly, Virginia 20151 (“Buyer”) (collectively the “Parties”).

WHEREAS, Buyer and Seller have entered into a Distribution Agreement, dated July 16, 2012 (“Distribution Agreement”), pursuant to which Seller agrees to spinoff a portion of its businesses to Buyer; and

WHEREAS, Buyer and Seller desire to have Seller provide certain goods and services to Buyer pursuant to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the Parties hereby agree as follows:

1.0 DEFINITIONS

a. Buyer – means Engility Corporation and its affiliates, as applicable.

b. Effective Date – means the date this Agreement becomes fully binding and enforceable and shall be the same as the Effective Time.

c. Existing Work – means agreements for the sale of goods and services between Buyer and Seller that exist as of the Effective Date and which are set forth in Appendix A hereto (including any post-acceptance, contractual obligations/rights arising from such agreements). The agreements for Existing Work are in the form of L-3 inter-divisional work authorizations (“IDWA”), general ledger transfer arrangements, GSA schedule orders, and purchase orders or subcontracts between Buyer and Seller.

d. Inter-Divisional Work Authorizations (“IDWA”) – means an agreement between Buyer and Seller covering the sale of goods and/or services which, generally, details the scope, pricing and other terms and conditions of such agreement.

e. New Work – means any contemplated agreement for the sale of the goods and services between Buyer and Seller which is not a part of the Existing Work and which is a Teaming Commitment.

f. Seller – means L-3 Communications Corporation and its affiliates, as applicable.

g. Teaming Agreement – means the agreement, substantially in the form of Appendix D hereto, which provides, in part, a binding commitment between Buyer and Seller to either, exclusively or non-exclusively, pursue the capture of certain programs contemplated to be awarded by Buyer’s customers.

h. Teaming Commitment – means each of the business pursuits expressly set forth in Appendix C hereto, wherein the parties have agreed to enter, or have entered into, either an exclusive or non-exclusive teaming agreement (such exclusivity is as set forth within Appendix C) wherein the Parties have agreed to work together to capture a program/contract award from Buyer’s customer(s).

2.0 GOODS AND SERVICES

2.1. General. Subject to the terms and conditions of this Agreement, Buyer and Seller agree to the sale of goods and services for Existing Work and New Work and to enter into certain Teaming Commitments.

2.2. Terms and Conditions for Existing Work.

a. Within 30 days after the Effective Date, or such other period of time as the Parties may otherwise agree in writing, Buyer shall issue to Seller a purchase order, or an amendment thereto, for each of the Existing Work as set forth in Appendix A. The terms and conditions of such purchase order shall be based on: (i) the terms and conditions contained in the IDWA or other agreement for Existing Work between the Parties as of the Effective Time, (ii) the terms and conditions required to be flowed down from Buyer's prime contract, and (iii) this Agreement and any other terms and conditions mutually agreed to by the Parties. In the event the Parties do not agree on such other terms and conditions referred to in clause (iii) of the preceding sentence, the terms and conditions contained in the General Terms and Conditions of Purchase attached as Appendix B hereto will apply. The terms and conditions of Article 2.2 a (i) and 2.2 a (ii) above shall take precedence over the terms set forth in Appendix B.

b. In the event the U.S. Government is required to approve or consent to, and the U.S. Government does not approve or consent to, a second tier subcontract for Existing Work, there will be no further liability to the Buyer with respect to the Existing Work covered by the Government decision. Should this occur, the Parties agree to provide, in good faith, any required support.

c. The pricing for Existing Work shall be in accordance with paragraph 2.2 (a) above, the Federal Acquisition Regulations and any other applicable laws or regulations. In addition, for Existing Work set forth on Appendix E, which is Existing Work wherein, in respect of a particular order, Seller is performing all of the Existing Work and Buyer is not performing any of the Existing Work and, further, where Buyer is the selling party in the prime contract for such Existing Work, the pricing for such Existing Work shall require Seller to reimburse Buyer for any and all M&S (Material and Subcontract Handling) and G&A (General and Administrative) costs incurred by the Buyer, solely to the extent such costs cannot be passed along to the Buyer's customer. For Existing Work set forth in Appendix E, which is Existing Work wherein, in respect of a particular order, both Buyer and Seller are jointly performing the work, Buyer and Seller will share, in proportion to the profit negotiated for each party, respectively, any M&S and G&A costs which cannot be passed along to the Buyer's customer and are in excess of those Buyer and Seller normally would bear, but for the Distribution Agreement. Buyer and Seller shall have ninety (90) days from the Effective Date to complete Appendix E.

2.3. Terms and Conditions for New Work.

a. Buyer shall issue to Seller a purchase order for any New Work. The terms and conditions for New Work will be based on: (i) terms and conditions contained in a Teaming Agreement, if any, with respect to such New Work; (ii) the terms and conditions agreed to be flowed down from Buyer's prime contracts; (iii) this Agreement and any other terms and conditions mutually agreed to by the Parties; and (iv) in the event the Parties do not agree on such other terms and conditions referred to in Article 2.3 a (iii), the terms and conditions contained in the General Terms and Conditions of Purchase, attached as Appendix B hereto. The terms and conditions pursuant to Articles 2.3 a (i) and 2.3 a (ii) above shall take precedence over the terms set forth in Appendix B.

b. In the event the U.S. Government is required to approve and consent to, and the U.S. Government does not approve or consent to, a second tier subcontract for New Work, there will be no liability to the Buyer with respect to the New Work covered by such Government decision. Should this occur, the Parties agree to provide any required good faith support.

c. The pricing for New Work shall be in accordance with paragraph 2.3 (a) above, the Federal Acquisition Regulations and any other applicable laws or regulations.

2.4. Terms and Condition for Teaming Commitments.

a. Where the Parties have entered into a Teaming Agreement for a Teaming Commitment, the terms and conditions of such agreement shall govern the Teaming Commitment. With respect to all other Teaming Commitments, Buyer and Seller shall enter into a Teaming Agreement, substantially in the form of Appendix D within thirty (30) days of the Effective Date, or such other period of time as the Parties may otherwise agree in writing. Where a named party under a Teaming Agreement is an unincorporated division or subsidiary of either Buyer or Seller, Buyer and/or Seller, respectively, shall also be a party to such Teaming Agreement. Such Teaming Agreements shall be either non-exclusive or exclusive, as expressly set forth in Appendix C hereto provided, however, with respect to an exclusive teaming agreement, the exclusivity provision shall only apply to the named unincorporated division or subsidiary of each party.

3.0 TERM AND TERMINATION

3.1. This Agreement shall commence as of the Effective Date, and shall continue to be in effect until terminated as follows:

- a. With respect to any New Work or any Existing Work, upon completion of the Parties' respective obligations arising under the applicable purchase order;
- b. With respect to a Teaming Agreement, in accordance with its terms;
- c. With respect to the entire Agreement, on the last of the following to occur:
 - (i) completion of all of the Existing Work, New Work, the expiration of all Teaming Agreements, or five (5) years from the Effective Date.

3.2. This Agreement may be terminated in part for Cause with respect to any portion of the Existing Work, New Work, Teaming Commitment or Teaming Agreement by either Party by written notice to the other Party. For purposes of this Article 3.2, "Cause" shall mean:

- (i) A breach by the other party of any material covenant or agreement contained in this Agreement, and such breach is not remedied within thirty (30) days after written notice of such breach; or
- (ii) Any of the following:
 - (a) The filing of a voluntary petition in bankruptcy, insolvency, winding up, liquidation of, or other similar proceeding relating to the other Party;
 - (b) The appointment of a trustee, liquidator, custodian or similar person in a proceeding referred to in 3.2 (ii) (a), which appointment has not been set aside or stayed within sixty (60) days of such appointment;
 - (c) The making by a court having jurisdiction of an order winding up or otherwise confirming the bankruptcy or insolvency of the other Party, which order has not been set aside or stayed within sixty (60) days; or
 - (d) A breach by the other Party of any material provision contained in any purchase order or Teaming Agreement issued pursuant to this Agreement, and such breach is not remedied within thirty (30) days after written notice of such breach.

4.0 CONFIDENTIALITY

The Parties hereby incorporate by reference Section 11.03 of the Distribution Agreement and agree that any confidential information of either Party used in connection with this Agreement shall be deemed to be Information under that Section 11.03, and shall be subject to the terms thereof. Seller and Buyer shall be bound by the terms of Section 11.03 to the same extent as if those terms were set out herein in full. The Parties further agree to be bound by any additional non-disclosure or confidentiality agreements entered into between them in the future relating to purchase orders or agreements arising under this Agreement, and agree that confidential information of either Party used in connection with this Agreement shall be subject to the terms thereof.

5.0 LIMITATION OF LIABILITY

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE DISTRIBUTION AGREEMENT OR WITH RESPECT TO A BREACH OF ARTICLE 4 CONFIDENTIALITY OF THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR SPECIAL (INCLUDING PUNITIVE), INDIRECT, RELIANCE, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, OR FOR LOSS OF PROFITS OR LOSS OF USE DAMAGES, HOWEVER CAUSED AND UNDER ANY THEORY OF LIABILITY, WHETHER BASED IN CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHERWISE, ARISING OUT OF OR RELATED TO THE PERFORMANCE OR BREACH OF THIS AGREEMENT OR ANYTHING DONE IN CONNECTION THEREWITH. THE FOREGOING LIMITATIONS SHALL APPLY REGARDLESS OF WHETHER THE PARTY AGAINST WHOM LIABILITY IS ASSERTED HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

6.0 OUTSTANDING BIDS

In the event that, as of the Effective Date, the Seller has furnished any proposals to Buyer, Seller agrees that if such proposal is later accepted by Buyer, Seller will honor such proposal in accordance with its terms and the terms of this Agreement.

7.0 COMMUNICATIONS

7.1. Management Team. The relationship between the Parties under this Agreement shall be monitored and reviewed by a management team of senior managers representing each Party who shall meet as necessary at mutually agreed dates and times. The agenda for such meetings will address the following and other appropriate items:

- a. Status of ongoing production or service activities arising from this Agreement;
- b. Seller capacity changes and plans in connection with its obligations under this Agreement;
- c. Seller technology developments and plans in connection with the Products supplied and Services performed pursuant to this Agreement; and
- d. Issues and action items.

7.2. Liaison. For and on behalf of each Party, the persons designated in Article 7.3 shall have respective liaison and general administration of the Agreement for such Party.

7.3. Notices. All notices, requests, instructions or other documents to be given hereunder shall be in writing or by written telecommunication and shall be deemed to have been duly given when received if in writing and delivered personally or by receipt confirmed overnight delivery service or certified mail or, to the extent that receipt is confirmed, when received by facsimile or other electronic transmission as follows:

a. If to Seller:

L-3 Communications Corporation
600 3rd Avenue
New York, NY 10016
Attn: Steve Post
Senior Vice President General Counsel & Corporate Secretary

b. If to Buyer:

Engility Corporation
3750 Centerview Drive
Chantilly, Virginia 20151
Attn: Tom Miiller
Senior Vice President, General Counsel, & Corporate Secretary

8.0 GOVERNING LAW

This Agreement and any action related thereto shall be governed, controlled, interpreted and defined by and under the laws of the State of New York, without regard to the conflicts of laws provisions thereof. The Parties specifically disclaim the UN Convention on Contracts for the International Sale of Goods and the Uniform Computer Information Transaction Act both of which are not applicable to this Agreement. The Parties agree that the exclusive venue for any action related to the dispute or interpretation of this Agreement shall be in the State or Federal courts located in New York County (Manhattan), New York, and each party irrevocably submits to the exclusive jurisdiction of each such court in any such action and waives any objection it may now or hereafter have to venue or personal jurisdiction in each such court. **THE PARTIES HEREBY WAIVE TRIAL BY JURY WITH RESPECT TO ANY DISPUTE RELATING TO THIS AGREEMENT.**

9.0 GENERAL PROVISIONS

9.1. Entire Agreement. This Agreement, including Appendices and the Distribution Agreement (including the other agreements attached as exhibits thereto) constitute the entire understanding between the Parties relating to the subject matter hereof and supersede all previous communications, representations, or agreements, either oral or written, with respect to the subject matter hereof, and no representation or statements of any kind made by any representative of Seller or Buyer which are not stated in this Agreement, shall be binding on Seller or Buyer.

9.2. Severability. Any provision of this Agreement that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement. To the extent any provision of this Agreement is determined to be prohibited or unenforceable, Seller and Buyer agree to use reasonable commercial efforts to substitute one or more valid, legal and enforceable provisions that, insofar as practicable, implement the purposes and intent of the prohibited or unenforceable provision.

9.3. Independent Contractors. The Parties hereto shall act in all matters pertaining to this Agreement as independent contractors and nothing contained herein and no action taken with respect to the provisions hereof shall constitute one Party to be the agent, partner or joint venturer of any other Party for any purpose whatsoever.

9.4. Amendments. This Agreement shall be modified only by an instrument in writing executed by duly authorized representatives of the Parties hereto.

9.5. Waivers. A waiver of breach, delay or failure to take action with respect to any previous default or failure by a Party to fulfill its obligations under this Agreement shall not be deemed to constitute a waiver of any other or subsequent default or failure by such Party to fulfill such obligations and shall not constitute or be construed as a continuing waiver and/or as a waiver of other subsequent defaults or breaches of the same or other (similar or otherwise) obligations or as a waiver of any remedy available.

9.6. Headings and Defined Terms. The article headings and section captions of this Agreement are inserted for convenience only, and shall not be deemed to constitute part thereof or to affect the construction thereof. Capitalized terms not otherwise defined herein will have the meanings provided in the Distribution Agreement.

9.7. Construction. The language used in this Agreement will be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction will be applied against any part.

9.8. Survival. The terms and conditions of this Agreement which, when by their natural application operate after the termination or expiration hereof, shall survive any such expiration or termination.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date written below.

L-3 COMMUNICATIONS CORPORATION

By: /s/ Steven M. Post
Name: Steven M. Post
Title: Senior Vice President

Dated: July 16, 2012

ENGLITY CORPORATION

By: /s/ Thomas O. Miiller
Name: Thomas O. Miiller
Title: Senior Vice President and General Counsel

Dated: July 16, 2012

Confidential treatment has been requested with respect to the information contained with the [**] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/2012	ETCS	Target Fee- Profit%	Option Periods Included
L-3 Communication Systems - East (from C2S2)	P-8A HMMS Support	• Upgrades to the current HMMS units • A support plan to maintain units beyond the warranty period	2/10/2012	2/9/2013	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 Communication Systems - East (from C2S2)	70JME11013	United States Coast Guard (USCG) National Security Cutter (NSC), USCGC WAESCHE (WMSL-751)Automated Communications Resource Manager (ACRM) and ExComms Upgrades	8/26/2011	2/24/2012	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 Communication Systems - West (from C2S2)	60DK000116	Modeling and Simulation Support for Tusker Wing Project	8/23/2010	9/24/2010	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 Communication Systems - West (from C2S2)	70YDC11052	Firescout Support	1/10/2011	8/31/2011	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 Communication Systems - West (from C2S2)	60DK000114	SATCOM Integration Support for AFRICOM	4/16/2011	7/28/2011	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 Communications Systems - West (from C2S2)	ISBU12-SWAN-0001	SWAN SUPPORT	1/10/2012	9/4/2012	Domestic	USA	L3 C2S2	**	**	**	**	**	**	**	**	**
L-3 IEC (from C2S2)	C2S2-IEC-11133-1	T/A C011 - Video Scout Development Prgm.	5/13/2011	5/12/2012	Domestic	USA	C2S2 (SPAWAR)	**	**	**	**	**	**	**	**	**
L-3 IEC (from C2S2)	C2S2-IEC-120134-1	VideoScout FOS MC3/CM3 Development Part 2	2/10/2012	1/31/2013	Domestic	USA	C2S2 (SPAWAR)	**	**	**	**	**	**	**	**	**
L-3 IEC (from Stratis/C2S2)	2011-I-4-0001	Seaport Video Scout FoS CM3/MC3 Development	2/20/2012	2/20/2013	Domestic	USA	L3 Stratis	**	**	**	**	**	**	**	**	**
L-3/D.P. Associates Inc. (from C2S2)	4143-M805-06 (Purchase Orders issued against IDWA) IDWA options run through 1/3/15	PMA-299 Program Support (Option Yr 2)	1/4/2012	1/3/2013	Domestic	US	L-3 C2S2 (US Navy ultimate customer)	**	**	**	**	**	**	**	**	**
L-3/D.P. Associates Inc. (from C2S2)	4143-M805-06 (Purchase Orders issued against IDWA) IDWA options run through 1/3/15	PMA-263 TDL 20 Program Support (Option Yr 2)	1/4/2012	1/3/2013	Domestic	US	L-3 C2S2 (US Navy ultimate customer)	**	**	**	**	**	**	**	**	**
L-3/D.P. Associates Inc. (from C2S2)	4143-M805-06 (Purchase Orders issued against IDWA) IDWA options run through 1/3/15	PMA-263 TDL 36 Program Support (Option Yr 2)	1/4/2012	1/3/2013	Domestic	US	L-3 C2S2 (US Navy ultimate customer)	**	**	**	**	**	**	**	**	**
L-3/D.P. Associates Inc. (from C2S2)	4143-M805-06 (Purchase Orders issued against IDWA)	Naval Data Distribution Support	3/10/2012	6/30/2012	Domestic	US	L-3 C2S2 (US Navy ultimate customer)	**	**	**	**	**	**	**	**	**
Applied Technologies (from Engility)	E11MM244	NAVEODTECH Refurbishment of 150kV & 2.3 MV FXR Equipment (GFE) (82I00112)	10/3/2011	4/25/2012	Domestic	USA	L3 Engility Corp	**	**	**	**	**	**	**	**	**
L-3 ATG (from GSES)	PO 10SH0171	Maxwell Equations Equivalent Circuit (MEEC) Code	10/4/2010	12/30/2011	Domestic	USA	L-3 GSES	**	**	**	**	**	**	**	**	**
L-3 ATG (from GSES)	PO 11MM0066	MPU Testing	2/25/2011	8/31/2011	Domestic	USA	L-3 GSES	**	**	**	**	**	**	**	**	**
L-3 ATG (from GSES)	PO 11DP0029	Assist Training	3/21/2011	12/31/2011	Domestic	USA	L-3 GSES	**	**	**	**	**	**	**	**	**
L-3 ATG (from GSES)	PO 11SH0148	Electromagnetic Signatures	8/12/2011	2/12/2012	Domestic	USA	L-3 GSES	**	**	**	**	**	**	**	**	**
Applied Technologies (from GSES)	11SH0115	NRL IPAD (82I00077)	7/1/2011	4/5/2012	Domestic	USA	L3 Global Security & Engineering Solutions	**	**	**	**	**	**	**	**	**
L-3 ATG (from GSES)	11DE0284	Keeper & Gaskets	11/23/2011	2/28/2012	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 ATG (from GSES)	12MSO019	Assist Training	3/15/2012	4/30/2012	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 ATG (from GSES)	PO DME0038	Hemp Doors	3/19/2012	5/30/2012	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
Applied Technologies (from GSES)	12JB0007	NRL/ONR Detection	3/8/2012	8/30/2012	Domestic	USA	L3 Global Security & Engineering Solutions	**	**	**	**	**	**	**	**	**
Applied Technologies (from GSES)	12JB0008	NRL Pulsed Power Technology Assessment/Evaluation (82I00167)	3/15/2012	8/30/2012	Domestic	USA	L3 Global Security & Engineering Solutions	**	**	**	**	**	**	**	**	**

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/2012	ETC\$	Target Fee-Profit%	Option Periods Included
L-3 Integrated Optical Systems-Brashear (from GSES)	PO # 11SH0113	China Lake KTIM Refurb	6/30/2011	4/30/2012	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 Integrated Optical Systems-Brashear (from GSES)	PO # 11DP0298	China Lake Optical Tracking Mount (OTM) Upgrade	11/1/2011	11/1/2014	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3/D.P. Associates Inc. (from C2S2)	Pending, RFQ issued - under C2S2's N00178-04-D-4143, D.O. M806	Spiral II Database Support	6/14/2012	8/11/2012	Domestic	US	L-3 C2S2 (US Navy ultimate customer)	**	**	**	**	**	**	**	**	**
Coleman Aerospace (from GSES)	2010-0908	Air Launch Hit to Kill	9/9/2010	4/30/2012	Domestic	US	GS&ES (AFRL-Eglin)	**	**	**	**	**	**	**	**	**
L-3 Integrated Optical Systems-Brashear (from GSES)	PO 11JS0046	onsite technical support DCS	10-Mar-11	31-Jul-12	Domestic	US	GS&ES MPRI (ultimate customer DOJ)	**	**	**	**	**	**	**	**	**
L-3 D.P. Associates Inc. (from MPRI)	ICWA MPRI-DPA-2012-001	ICITAP Program Simulator	4/14/2011	8/31/2013	Domestic	US	C2S2	**	**	**	**	**	**	**	**	**
L-3 MID (From C2S2)	60DK000109	AFRICOM - Tactical Video Exploitation System (TVES) Integration & Upgrade	4/25/2011	12/31/2011	Domestic	USA	C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO #70JME11002	Systems Engineering 2020 (SE2020)	6/13/2011	11/9/2012	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#70JME11003	Systems Engineering 2020 (SE2020)	6/27/2011	6/13/2013	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	P.O.70JME11031	Delivery Order 0027, US Africa Command (AFRICOM) Outreach support	11/28/2011	8/31/2012	International	Germany	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#90VDJ11048	Network Infrastructure Team Support (NITS) Operation Enduring Freedom (OEF) Afghanistan/GSA ALLIANT	3/1/2011	2/28/2013	International	Afghanistan	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	Subk# 3810-0415-15-STRATIS	Tactical Exploitation of National Capabilities (TENCAP)- N00014-04-D-0518	1/1/2008	4/13/2016	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	PO#11DP0324	National Level Exercise (NLE) 2012	10/3/2011	7/29/2012	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from MPRI)	PO#L3A-000003	United States European Command (USEUCOM) Joint Intelligence Operations Center Europe (JIOCEUR) Analytic Center (JAC) Analysis and Production Support (JAPS)	7/21/2011	7/20/2012	International	United Kingdom	L-3 MPRI	**	**	**	**	**	**	**	**	**
L-3 GSS (from MPRI)	MPRI-GSES-2010-001	Marine Security Enhancement Program	11/16/2009	5/1/2013	International	Republic of Equatorial Guinea (EG)	L-3 MPRI	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#POVDJ12023	Team Portable Collection System (TPCS)	11/21/2011	11/20/2014	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#70JME11024	SPAWAR DO 0038	9/26/2011	9/25/2012	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#70JME11025	SPAWAR DO 0039	9/26/2011	9/25/2012	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	PO#12MS0022	REGION 2 CAD Cyber Wkshop (RESP)	7/24/2010	8/14/2012	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 GSS (from GSES)	PO#12JB0012	SBINet Deposition Support (Jeff D'Heron providing support)	3/30/2012	9/30/2012	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 GSS (from GSES)	PO#12JB0010	Automated Network Control Center Site Rep Support (John Kirby providing support)	9/30/2011	9/29/2012	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from MPRI)	N/A	GSA Schedule GS-07F-0838N; CDC BPA	12/1/2007	11/30/2012	Domestic	USA	L-3 MPRI	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from MPRI)	N/A	GSA Schedule GS-07F-0838N; CDC Biosurveillance Activity	2/20/2012	2/19/2013	Domestic	USA	L-3 MPRI	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	N/A	GSA Schedule GS-35F-4702G; DHHS TAGGS	3/8/2011	3/7/2016	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/2012	ETCS\$	Target Fee- Profit%	Option Periods Included
L-3 STRATIS (from GSES)	N/A	GSA Schedule GS-35F-4702G; National Mediation Board (NMB)	11/30/2005	9/30/2015	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	N/A	GSA Schedule GS-35F-4702G; RANGE	6/1/2009	5/31/2014	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	N/A	GSA Schedule GS-35F-4702G; EWS S/W MAINTENANCE	8/18/2009	8/17/2014	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#70YDC121285	Systems Engineering 2020 (SE2020)	4/27/2011	4/6/2012	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	P.O.70JME11032	Delivery Order 0237, K5802 Outreach support	12/16/2011	3/16/2012	International	Germany	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#POVDJ10106	Team Portable Collection System (TPCS) PO000001	11/21/2010	11/20/2011	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#POVDJ11038	Team Portable Collection System (TPCS) PO000006	11/21/2010	11/20/2011	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#POVDJ10082	Mobile Electronic Warfare Support System (MEWSS) PO000002	11/21/2009	11/20/2011	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	PO#1SH0027	Chenega Repairs	1/1/2011	12/31/2011	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	800949300.700.ET	BD & Mktg. Supt.	4/12/2011	12/31/2011	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	BP0002009.200.300.759.ET	Eng. Supt.	4/12/2011	12/31/2011	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	800920901.1.900	QA Supt.	4/12/2011	12/31/2011 (extendable to 6/30/12)	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	2011-1742	STOS Proposal Supt.	6/15/2011	8/5/2011	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	2011-1750	RVSS Proposal Supt.	9/19/2011	7/1/2012	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	2011-1751	IFT Proposal Supt.	9/19/2011	7/1/2012	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	2011-1751	MCCC Proposal Supt.	10/17/2011	12/31/2011	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from LOTSD)	LOTS-11-IDWA-05	Linguist Tracking System (LTS)	1/1/2011	12/31/2012	Domestic	USA	L-3 LOTSD	**	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from C2S2)	70KMR10157	CSCS Security Hardening	29-Sep-11	28-Sep-12	Domestic	USA	L-3 C2S2	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from C2S2)	70KMR10158	Marine Corps Tactical Trainer	29-Sep-11	28-Sep-12	Domestic	USA	L-3 C2S2	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from C2S2)	70KMR10159	CMSA, Atlantic, Bldg NH-139	29-Sep-11	28-Sep-12	Domestic	USA	L-3 C2S2	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from C2S2)	70JME11019	ESG-2 BLDG 1602	13-Sep-11	12-Sep-12	Domestic	USA	L-3 C2S2	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from C2S2)	70JME11026	TTGL Bldg 430 IESS Security	21-Sep-11	20-Sep-12	Domestic	USA	L-3 C2S2	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from C2S2)	70JME12015	GTMO Security Upgrades	13-Apr-12	30-Sep-12	Domestic*	USA	L-3 C2S2	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from C2S2)	70CMS11039	LSV-3 Modifications/Upgrades	12-Mar-12	30-Sep-12	Domestic	USA	L-3 C2S2	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from C2S2)	70CMS11040	LSV-6 Modifications/Upgrades	12-Mar-12	30-Sep-12	Domestic	USA	L-3 C2S2	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from C2S2)	70CMS11038	C4ISR Upgrades on Army Watercraft	12-Mar-12	30-Sep-12	Domestic	USA	L-3 C2S2	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from GSES)	PENDING	SPAWAR - INFRASTRUCTURE PROTECTION SOLUTIONS (IPS) RFP N65236-09-R-0022	2-May-12	1-May-13	Domestic	USA	L-3 GSES	CPFF	**	**	**	**	**	**	**	**
Seaport-e N00178-04-D-4143 Task Orders																
<- Affected if the Seaport-e contract N00178-04-D-4143 goes to Engility																
L-3 Unidyne, Inc. (from Stratis)	2011-I-4-0002	Task 0015 ISEA Support for Training Systems	7-Oct-09	9-Jul-13	Domestic	USA	L-3 Stratis	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from Stratis)	2011-I-4-0002	Task FY01 Integrated Submarine Imaging Systems Installation Services	17-Apr-08	9-Aug-12	Domestic	USA	L-3 Stratis	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from Stratis)	2011-I-4-0002	Task FY02 CV-TSC Installations	12-Nov-10	11-Nov-12	Domestic	USA	L-3 Stratis	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from Stratis)	2011-I-4-0002	Task N401 Fleet Support for Ship Alteration Installations	11-Jul-06	1-Jan-12	Domestic	USA	L-3 Stratis	CPFF	**	**	**	**	**	**	**	**

Confidential treatment has been requested with respect to the information contained with the [**] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission

<u>L-3 Division</u>	<u>IDWA#</u>	<u>Program Name</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Type</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Contract value</u>	<u>ITDS thru 5/25/2012</u>	<u>ETCS</u>	<u>Target Fee- Profit%</u>	<u>Option Periods Included</u>
L-3 Unidyne, Inc. (from Stratis)	2011-I-4-0002 Task N402	Services and Material to support progressive repair capability	30-Jul-08	31-Jul-13	Domestic	USA	L-3 Stratis	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from Stratis)	2011-I-4-0002 Task N403	Integrated Submarine Imaging Systems Installation Services	21-Nov-11	30-Sep-12	Domestic	USA	L-3 Stratis	CPFF	**	**	**	**	**	**	**	**
L-3 Unidyne, Inc. (from Stratis)	2011-I-4-0002 Task N404	Towed Systems Support Facility	1-Jul-12	31-Dec-12	Domestic	USA	L-3 Stratis	CPFF	**	**	**	**	**	**	**	**

* GTMO Security Upgrades are for US Government customer, but the work location is Guantanamo Bay, Cuba

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**GENERAL TERMS AND CONDITIONS
For Supply & Services Subcontracts**

This document, together with the attachments appended hereto constitutes the Terms and Conditions for the Subcontract between the parties, and acceptance is strictly limited to the terms and conditions contained herein. Additional or differing terms, conditions or limitations of liability proposed by Seller, whether in a quote, acceptance or delivery document shall have no effect unless accepted in writing by Buyer. Agreement by Seller to furnish the goods or services to these terms and conditions, or Seller's commencement of such performance or acceptance of payment shall constitute acceptance by Seller of these Terms and Conditions.

1. Definitions

Words, as employed in this Agreement, shall have their normally accepted meanings. The following terms shall have the described meaning:

- (a) "Buyer" shall mean the party identified as the Buyer in this Subcontract.
- (b) "Subcontract" shall mean the Purchase Order, Subcontract, or Contract, these General Terms and Conditions, and any special conditions appended hereto or documents incorporated herein.
- (c) "Goods" shall mean those Goods identified in this Subcontract, which may be changed, from time to time by the mutual written agreement of the parties.
- (d) "Services" shall mean those Services identified in this Subcontract, which may be changed, from time to time by the mutual written agreement of the parties.
- (e) "Seller" shall mean the party identified as the Seller in this Subcontract.
- (f) "Franchise Distributor" shall mean a Distributor with which the Original Component Manufacturer (OCM) or the Original Equipment Manufacturer (OEM) has a contractual agreement to buy, stock, re-package, sell, and/or distribute its products lines.
- (g) "Independent Distributor (Broker)" shall mean a Distributor that purchases parts with the intention to sell or redistribute them.

2. Price

The prices established by this Subcontract are firm fixed prices unless otherwise stated in the Subcontract.

3. Schedule and Delivery; Notice of Delay

Seller shall strictly adhere to all Subcontract schedules. Time is and shall remain of the essence in the performance of this Subcontract. Seller shall notify Buyer in writing immediately of any actual or potential delay to the performance of this Subcontract. Such notice shall include a revised schedule and shall not constitute a waiver to Buyer's rights and remedies hereunder.

4. New Materials; Packaging and Shipping

- (a) All goods to be delivered hereunder shall consist of new materials;
- (b) Seller shall prepare and package the goods to prevent damage or deterioration and shall use best commercial practice for packing and packaging of items to be delivered under this Subcontract, unless otherwise specified in the Subcontract;
- (c) Unless otherwise stated in the Subcontract, F.O.B. point shall be Destination (Incoterms 2010 DDP for International transactions);
- (d) **For Subcontractors, Contract Manufacturers, OEM's and Franchised Distributors** – Only new and authentic materials are to

be used in products delivered to Buyer. No counterfeit or suspect counterfeit parts (See 16b for a definition of Counterfeit Items) are to be contained within the delivered product. Parts shall be purchased directly from the OCMs/OEMs, or through the OCM/OEMs Franchised Distributor. Documentation must be available that authenticates traceability to the applicable OCM/OEM. Independent Distributors (Brokers) shall not be used without written consent from Buyer.

(e) **For Independent Distributors** – Independent Distributor's procedures shall meet the requirements of IDEA-STD-1010 & SAE AS5553 and have a Quality Management System certified to AS9120:2002. The original manufacturers Certificate of Conformance (C of C) and all traceability documentation shall be included with each shipment of parts. It shall include the manufacturer's name, part number, date codes, lot codes, serializations, and / or any other batch identifications. Seller is to contact Buyer in the event that the original OEM/OCM C of C and traceability documentation is not available. Inspections and tests required are as noted on the Subcontract. All inspecting and testing shall be performed to the original manufacturer's specifications and parameters. Recorded evidence of all testing performed shall be included with each shipment. If suspect/counterfeit parts are furnished under this Subcontract and are found in any of the Goods delivered hereunder, such items will be impounded by Buyer. The Seller shall promptly replace such suspect/counterfeit parts with parts acceptable to the Buyer and the Seller shall be liable for all costs relating to the removal and replacement of said parts as specified in the Subcontract requirements or Distributor's insurance policies. All occurrences of suspect and/or counterfeit parts will be immediately reported to the Buyer. Buyer reserves all contractual rights and remedies to address grievances and detrimental impacts caused by suspect/counterfeit parts."

5. Inspection and Acceptance

- (a) Buyer's final acceptance of Goods or Services is subject to Buyer's inspection within sixty (60) days after receipt at Buyer's facility or such other place as may be designated by Buyer, notwithstanding any payment or prior test or inspection.
- (b) Seller and its suppliers shall establish and maintain a quality control and inspection program as specified in the Subcontract. Subject to applicable national security regulations, Buyer and Buyer's representatives shall have the right of access, on a non-interference basis, to any area of Seller's or Seller's supply chain sub-tier premises where any part of the work is being performed. Seller shall flow this requirement down to its sub tier supply chain suppliers as a condition of this Subcontract. Seller shall, without additional costs to Buyer, provide all reasonable in-plant accommodations, facilities, and assistance for the safety and convenience of the Buyer and the Buyer's representatives in the performance of their duties.
- (c) Seller shall keep and maintain inspection, test and related records, which shall be available to Buyer or Buyer's representative. Seller shall allow copies to be made and shall furnish all information required by the Buyer or Buyer's representative.

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6. Rejection

If Seller delivers non-conforming Goods or Services, Buyer may, at its option and Seller's expense: (i) return the Goods for refund or credit; (ii) require Seller to promptly correct or replace the Goods or Services; (iii) correct the nonconformance; or (iv) obtain conforming Goods or Services from another source. Buyer shall specify the reason for any return or rejection of nonconforming Goods or Services and/or shall describe the action taken. Seller shall be liable for any increase in costs, including procurement costs attributable to Buyer's rejection of the non-conforming Goods or Services. If Buyer determines or has reason to believe that Goods provided contain suspect and/or counterfeit parts, Buyer shall provide Seller the appropriate notice, impound the suspect/counterfeit parts, and report all occurrences to ERAI and GIDEP.

7. Invoices

(a) Invoices may be mailed when Goods are shipped, but the time for payment shall not commence until Buyer's actual or scheduled receipt, whichever is later, of items at their destination or upon satisfactory completion of Services.

(b) Buyer shall promptly pay Seller the amount due within 45 days, except if identified elsewhere in the Subcontract, unless the invoiced amount is in dispute. Buyer may withhold payment for shortages and/or non-conforming Goods or Services. Buyer may entertain discounts on Goods for expedited payments.

8. Changes

(a) By written order, Buyer may from time to time direct changes for: (i) technical requirements; (ii) shipment or packing methods; (iii) place of delivery, inspection or acceptance; (iv) reasonable adjustments in quantities, delivery schedules or both; (v) amount of Buyer-furnished property; (vi) time of performance; (vii) place of performance; and, (viii) terms and conditions of this contract required to meet Buyer's obligations under Government prime contract or subcontract.

(b) If any such change causes an increase or decrease in the price or in the time required for its performance, Seller shall promptly notify Buyer thereof and assert its claim for equitable adjustment within thirty (30) days after the change is ordered, and an equitable adjustment shall be made. However, nothing in this provision shall excuse Seller from proceeding immediately with the directed change(s). Changes shall not be binding upon Buyer except when specifically confirmed in a written Subcontract or Change Order.

9. Force Majeure

The following events, and only the following events, shall constitute force majeure under this Subcontract: (a) acts of God or of a public enemy; (b) acts of Government; (c) fires; (d) floods; (e) epidemics; (f) quarantine restrictions; (g) strikes; (h) freight embargoes; and, (i) unusually severe weather. In each case, the failure to perform must be entirely beyond the control and without the fault or negligence of the Seller. Each party shall give the other immediate notice of any event that such party claims is a *Force Majeure* Condition that would prevent the party from performing its obligations hereunder, and of the cessation of the condition. A party's notice under this Section shall include the party's good faith estimate of the likely duration of the *Force Majeure* Condition.

10. Termination for Convenience

(a) Buyer may, by notice in writing, direct Seller to terminate work under this Subcontract, solely to the extent such work is terminated by Buyer's customer, and such termination shall not constitute

default. In such event, Buyer shall have all rights and obligations accruing to it either at law or in equity, including Buyer's rights to title and possession of the goods and materials paid for. Buyer may take immediate possession of all work so performed upon notice of termination.

(b) Seller shall immediately stop work and limit costs incurred on the terminated work.

(c) If such termination is for the convenience of the Buyer, Buyer, after deducting any amount(s) previously paid, shall reimburse Seller for the actual, reasonable, substantiated and allowable costs with the total amount to be paid by the Buyer being determined by negotiation.

11. Termination for Default

(a) Buyer may, by written Notice of Default to Seller, terminate this Subcontract in whole or in part if the Seller fails to: (i) deliver the Goods or to perform the Services within the time specified in this Subcontract or any extension; (ii) make progress, so as to endanger performance of this Subcontract; or, (iii) perform any of the other material provisions of this Subcontract, provided, however, in the event of either (ii) or (iii) Buyer has provided Seller with prior written notice of the failure and a reasonable opportunity to cure.

(b) Buyer may require Seller to transfer title and deliver to Buyer, in the manner and to the extent directed by Buyer, any partially completed Goods and raw material, parts, tools, dies, jigs, fixtures, plans, drawings, Services, information and contract rights (Materials) as Seller has produced or acquired for the performance of this Subcontract, including the assignment to Buyer of Seller's subcontracts. Seller further agrees to protect and preserve property in the possession of Seller in which Buyer has an interest. Payment for completed Goods delivered to and accepted by Buyer shall be at the Subcontract price. Payment for unfinished Goods or Services, which have been delivered to and accepted by Buyer and for the protection and preservation of property, shall be at a price determined in the same manner as provided in the Termination for Convenience provision hereof except that Seller shall not be entitled to profit. Buyer may withhold from Seller monies otherwise due Seller for completed Goods and/or Materials in such amounts as Buyer determines necessary to protect Buyer against loss due to outstanding liens or claims against said Goods and Materials.

(c) Seller shall promptly notify Buyer if Seller is the subject of any petition in bankruptcy. In the event of Seller's bankruptcy, Buyer may require Seller to post such financial assurance, as Buyer, in its sole discretion, deems necessary. Failure to post such financial assurance upon ten (10) days written notice shall constitute a default under this Subcontract. The rights and remedies of Buyer in this clause are in addition to any other rights and remedies provided by law or under this Subcontract.

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12. Compliance with Laws

(a) The parties shall comply with all applicable provisions of Federal, state, and local laws; ordinances and all lawful orders; rules, regulations. FAA, DOT and other transportation regulations and Hazard Communication Standards promulgated pursuant to the Occupational Health and Safety Act.

(b) The parties shall control the dissemination of and access to technical data, information and other items received under this Subcontract in accordance with U.S. export control laws and regulations.

(c) Export Control and Compliance.

If this order involves the delivery of products, software, technical data or services (which includes design, assembly, testing, repair, maintenance or modification to Buyer products or technologies) subject to United States export control laws and regulations Seller shall comply with all applicable U.S. export and re-export control laws and regulations and any local government export regulations.

- (1) ITAR Control and Compliance – Companies engaged in exporting or manufacturing (whether exporting or not) of defense articles or furnishing defense services are required to register with the Department of State, Directorate of Defense Trade Controls (“DDTC”) in accordance with ITAR 22 C.F.R. 122. Seller, by its offer and/or acceptance of this order, represents that it is registered with the DDTC. Proof of such registration will be promptly provided to Buyer upon request.
- (2) Non-U.S. Companies – Non-U.S. companies shall be registered as required under its local government export regulations. Canadian companies must be registered by the Canadian Federal or Provincial government authorities.
- (3) Seller shall maintain its registration throughout the complete period of performance of this order, including any warranty period, and shall immediately notify Buyer in the event that any such registration and/or other required authorization is revoked, expired or invalidated for any reason.
- (4) Seller’s failure to comply with the entirety of this Article shall be cause for default.

(d) Seller shall: (i) comply with the requirements of the Foreign Corrupt Practices Act, as amended, (FCPA) (15 U.S.C. §§78dd-1, *et. seq.*), regardless of whether Seller is within the jurisdiction of the United States; (ii) neither directly nor indirectly, pay, offer, give, or promise to pay or give, any portion of monies or anything of value received from Buyer to a non-U.S. public official or any person in violation of the FCPA and/or in violation of any applicable country laws relating to anti-corruption or anti-bribery; and, (iii) Seller hereby agrees not to interact with any government official, political party or public international organization on behalf of Buyer without the prior written permission of the Buyer’s Procurement Representative.

13. Standards of Business Ethics and Conduct

The Parties will conduct its business fairly, impartially, and in an ethical and proper manner. The Parties shall not engage in any personal, business or investment activity that may be defined as a conflict of interest, whether real or perceived. If a Party has cause to believe that the other Party or any employee or agent of the Party has behaved improperly or unethically under this contract, the Party is encouraged to exert reasonable effort to report such behavior when warranted.

14. Intellectual Property

(a) If this Subcontract is issued to support a prime contract between the Buyer and an agency of the United States Government and wherein said prime contract includes either FAR 52.227-13 or DFAR 252.227-7038 (hereinafter, “Government Prime Contract”), then:

- (1) Buyer and Seller agree that the resulting order will comply with the policies and procedures established by FAR 27.304-3(c) and agree that the resulting order shall include provisions consistent with the above referenced FAR or DFAR provisions relating to patent rights in inventions. Both parties further agree to comply with all other applicable government procurement regulations dealing with subcontractor rights in technical data, subject inventions, copyrights, software, and other intellectual property, including DFARS 252.227-7013 and DFARS 252.227-7014. Seller agrees to convey rights in software and data to the U.S. Government consistent with such applicable government procurement regulations; and
- (2) Seller agrees to grant to Buyer and to Buyer’s subcontractors and customers a limited, non-exclusive, non-transferable, paid-up worldwide license to use any and all intellectual property (whether domestic or foreign), including patents, copyrights, industrial designs and/or mask works owned or controlled by Seller at any time or licensed to Seller, provided such a sublicense does not conflict with any provisions of the license to the Seller (hereinafter, the “Seller’s Intellectual Property”) for the sole purpose of fulfilling Buyer’s obligations under the Government Prime Contract.

(b) If this Subcontract is issued for any purpose other than to support a Government Prime Contract, then:

- (1) Any work, writing, idea, discovery, improvement, invention (whether patentable or not) trade secret or intellectual property of any kind first made or conceived by Seller in the performance of this Subcontract or which is derived from the use of information supplied by Buyer (hereinafter, the “Foreground Intellectual Property”) shall be the property of the Buyer. Seller shall disclose promptly all such Foreground Intellectual Property to Buyer, and shall execute all necessary documents to perfect Buyer’s title thereto and to obtain and maintain effective protection thereof. Any work produced under this Subcontract is to be deemed a work-for-hire to the extent permitted by law, and, to the extent not so permitted, shall be assigned to, and shall be, the exclusive property of, the Buyer; and
- (2) Seller hereby grants to Buyer, and to Buyer’s subcontractors and customers, in connection with the use, offer for sale, or sale of products provided to or work being performed for Buyer, an irrevocable, non-exclusive, paid-up, worldwide license under any and all Seller’s Intellectual Property; and
- (3) Seller hereby grants to Buyer, and to Buyer’s subcontractors and customers, a perpetual, non-exclusive, paid-up, worldwide license to reproduce, distribute copies of, perform publicly, display publicly, or make derivative works from any software included in or provided with Goods or Services under this Subcontract (hereinafter, the “Software Documentation”) as reasonably required by Buyer in connection with Buyer’s testing or use of the Good or Service; and
- (4) Notwithstanding anything in the foregoing to the contrary, Seller shall in no way be restricted with regard to the use or disclosure of any information, designs or data which originated with Seller and Seller shall have the right (including necessary rights under any patents or copyrights assigned to Buyer) to use, disclose

GENERAL TERMS AND CONDITIONS
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and authorize others to use and disclose any such information, designs, and data which originated with it provided that no Proprietary Information received from Buyer is used or disclosed.

15. Proprietary Information and Rights

(a) Subject to 15(d) and Article 14, Intellectual Property, the Parties shall only share Proprietary Information under a particular Purchase Order pursuant to an existing Proprietary Information Agreement (PIA) [Ref: Insert PIA#];

(b) Unless otherwise agreed to in a subsequent writing or expressly set forth in this Subcontract and subject to Article 15d, all specifications, information, data, drawings, software and other items supplied to Buyer shall be disclosed to Buyer without any restrictive rights on a non-proprietary basis;

(c) Unless otherwise agreed to in a subsequent writing or expressly set forth in this Subcontract and subject to Article 15d, all specifications, information, data, drawings, software and other items which are: (i) supplied to Seller by Buyer; or, (ii) paid for by Buyer during the performance of this Subcontract shall be treated as proprietary to Buyer and shall not be disclosed to any third party without Buyer's express written consent. Seller agrees not to use any such furnished information except to perform this Subcontract; and,

(d) Applicable U.S. Government Procurement Regulations incorporated into this Subcontract shall take precedence over any conflicting provision of this Article 15 to the extent that such Regulations so require. The incorporation by reference of such U.S. Government Regulations dealing with Seller's rights in Technical Data, subject inventions, copyrights, software and similar intellectual property are not intended to, and shall not, unless otherwise required by applicable law, obviate or modify any greater rights which Seller may have previously granted to Buyer pursuant to prior agreements between the parties.

16. Goods Warranty

(a) Seller warrants the Goods delivered pursuant to this Subcontract, unless specifically stated otherwise in this Subcontract, shall (i) be new; (ii) be and only contain materials obtained directly from the OEM or an authorized OEM reseller or distributor (Note – Independent Distributors (Brokers) shall not be used by Seller without written consent from Buyer); (iii) not be or contain Counterfeit Items; (iv) contain only authentic, unaltered OEM labels and other markings; (v) have documentation made available upon request that authenticates traceability to the applicable OEM; and (vi) be free from defects in workmanship, materials, and design and be in accordance with all the requirements of this Subcontract. Seller further warrants that the performance of work and services shall conform with the requirements of this Subcontract. These warranties shall survive inspection, test, final acceptance and payment of Goods and Services;

(b) For purposes of this Section 16 Warranty, and Article 6 – Rejection, a “Counterfeit Item” is defined to include, but is not limited to, (i) an item that is an illegal or unauthorized copy or substitute of an OEM item; (ii) an item that does not contain the proper external or internal materials or components required by the OEM or that is not constructed in accordance with OEM specification; (iii) an item or component thereof that is used, refurbished or reclaimed but the Seller represents as being a new item; (iv) an item that has not successfully passed all OEM required testing, verification, screening and quality control but that Seller represents as having met or passed such requirements; or (v) an item with a label or other

marking intended, or reasonably likely, to mislead a reasonable person into believing a non-OEM item is a genuine OEM item when it is not;

(c) Seller warrants that any hardware, software, and firmware Goods delivered under this Subcontract to the extent reasonably possible: (i) do not contain any viruses, malicious code, Trojan horse, worm, time bomb, self-help code, back door, or other software code or routine designed to (a) damage, destroy, or alter any software or hardware; (b) reveal, damage, destroy, or alter any data; (c) disable any computer program automatically; or (d) permit unauthorized access to any software or hardware; and (ii) do not contain any 3rd party software (including software that may be considered free software or open source software) that (a) may require any software to be published, accessed or otherwise made available without the consent of Buyer or (b) may require distribution, copying or modification of any software free of charge;

(d) This warranty shall cover a period 12 months following delivery; and,

(e) Remedies shall be at Buyer's election, including those specified in Article 6 herein.

17. Services Warranty

Unless stated otherwise in the documents accompanying these terms and conditions, Seller shall warrant all Services against defects in performance for a period of one year following delivery. If this Subcontract includes the provision of Services, Seller warrants that it has and will maintain sufficient trained personnel to promptly and efficiently execute the Services contemplated under this Subcontract. Seller further warrants that the Services shall be performed to at least the standard of performance reasonably expected of similar service providers in Buyer's geographic region.

18. International Transactions

(a) Payment will be in United States dollars unless otherwise agreed to by specific reference in this Subcontract.

(b) When Buyer has identified an offset obligation directly related to the performance of this Subcontract in its solicitation or in relation to any properly enacted modification, and Seller's performance of this Subcontract generates offset credits which Buyer could use to satisfy that identified offset obligation, then Buyer shall have the right to such Seller offset credits. The Buyer shall have no rights to any other offset credits that may be generated by the Seller in connection with this Subcontract. The Seller agrees to provide all reasonably necessary information in such form as may be required to enable Buyer to obtain the aforementioned offset credits.

19. Indemnification

(a) Seller agrees to indemnify and save Buyer harmless from any loss, cost or expense claimed by third parties for property damage and bodily injury, including death, caused solely by the negligence or willful misconduct of Seller, its agents, employees or Seller's affiliates in connection with Seller's work under this Contract.

Buyer agrees to indemnify and save Seller harmless from any loss, cost or expense claimed by third parties for property damage and bodily injury, including death, caused solely by the negligence or willful misconduct of Buyer, its agents or employees in connection with Seller's work under this Contract.

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If the negligence or willful misconduct of both Seller and Buyer (or a person identified above for whom each is liable) is the sole cause of such damage or injury, the loss, cost or expenses shall be shared between Seller and Buyer in proportion to their relative degrees of negligence or willful misconduct and the right of indemnity shall apply for such proportion.

(b) Should Buyer's use, or use by its distributors, subcontractors or customers, of any Goods or Services purchased from Seller be enjoined, be threatened by injunction, or be the subject of any legal proceeding, Seller shall, at its sole cost and expense, either:

(i) substitute fully equivalent non-infringing Goods or Services; (ii) modify the Goods or Services so that they no longer infringe but remain fully equivalent in functionality; (iii) obtain for Buyer, its distributors, subcontractors or customers the right to continue using the Goods or Services; or, (iv) if none of the foregoing is possible, refund all amounts paid for the infringing Goods or Services.

(c) Seller shall without limitation as to time, defend, indemnify and hold Buyer harmless from all liens which may be asserted against property covered hereunder, including without limitation mechanic's liens or claims arising under Worker's Compensation or Occupational Disease laws and from all claims for injury to persons or property arising out of or related to such property unless the same are caused solely and directly by Buyer's negligence.

20. Buyer's Property

(a) All drawings, tools jigs, dies, fixtures, materials, and other property supplied or paid for by Buyer shall be and remain the property of Buyer; and if Seller fails to return such property upon Buyer's demand, Buyer shall have the right, upon reasonable notice, to enter Seller's premises and remove any such property at any time without being liable for trespasses or damages of any sort.

(b) All such items shall be used only in the performance of work under this Subcontract unless Buyer consents otherwise in writing.

(c) Seller shall have the obligation to maintain any and all property furnished by Buyer to Seller and all property to which Buyer acquires an interest by this Subcontract and shall be responsible for all loss or damage to said property except for normal wear and tear.

(d) Upon request, Seller shall provide Buyer with adequate proof of insurance against such risk of loss or damage.

(e) Seller shall clearly mark, maintain an inventory, and keep segregated or identifiable all of Buyer's property.

21. Insurance

If this Subcontract is for the performance of Services on Buyer's premises, or, Seller utilizes their own vehicles to deliver Goods to Buyer's facility, Seller shall maintain the following insurance in at least the minimum amounts stated herein.

Seller shall also maintain, and Seller shall cause its subcontractors to maintain, such general liability, property damage, employers' liability, and worker's compensation insurance, professional errors and omissions insurance, motor vehicle liability (personal injury and property damage) insurance and aviation liability as are maintained in their normal and ordinary course of business. Upon request by the Buyer, Seller shall provided certificates of insurance evidencing limits of not less than the following:

1. Commercial General Liability \$5,000,000 combined single limit per occurrence (including products/completed operations and contractual liability coverage)

2. Workers' Compensation Statutory for the jurisdiction where the work is to be performed, including Federal Acts if applicable Employers' Liability, \$1,000,000 each person/accident. In states where Workers' Compensation insurance is a monopolistic state-run system (e.g., Ohio, Washington, North Dakota, and Wyoming), Seller shall add Stop Gap Employers Liability with limits not less than \$500,000 each accident or disease. To the extent that any work to be performed is subject to the Jones Act, the Longshore and Harbor Workers Compensation Act, or the Defense Base Act, the Workers' Compensation policy must be endorsed to cover such liability under such Act.
3. Automobile Liability \$5,000,000 combined single limit per accident

Some or all of the following additional insurance coverages may be required, depending upon the nature of the work to be performed by the Subcontractor. Final determinations of insurance coverage requirements will be made based on the Subcontract's statement of work.

If Applicable:

- A. Professional Liability \$5,000,000 per claim
 1. Internet Liability and Network Protection (Cyberberrisk) insurance with limits of at least \$2,500,000 each claim or wrongful act.
 2. Media Liability insurance with limits of at least \$2,500,000 each claim or wrongful act.
- B. Aviation Liability including products \$50,000,000 per occurrence (including aircraft products and completed operations and War, Hijacking and other perils (AVN 52D))
- C. Hangarkeepers' Liability \$50,000,000 per occurrence
- D. All Risk Property Insurance Replacement Value (covering property of Buyer or Buyer's customer in the care, custody or control of Seller and include Buyer as Loss Payee.
- E. Fidelity or Crime insurance covering employee dishonesty, including but not limited to dishonest acts of Seller, its employees, agents, subcontractors and anyone under Seller's supervision or control. The Seller shall be liable for money, securities or other property of Buyer. Seller shall include a client coverage endorsement written for limits of at least \$1,000,000 and shall include Buyer as Loss Payee.
- F. Environmental Insurance (Contractor's Pollution Liability) with limits of at least \$5,000,000 each occurrence, claim, or wrongful act and \$10,000,000 aggregate. The policy must include Buyer, its Affiliates, and their directors, officers, and employees as Additional Named Insureds. Seller shall provide a copy of the Additional Insured endorsement to Buyer. If required within the scope of Seller's work to be performed, the insurance required herein cannot exclude coverage for bodily injury, property damage, pollution or environmental harm resulting from or arising out of the work to be performed, asbestos, lead or silica-related claims, claims arising out of microbial matter or bacteria, testing, monitoring, measuring operations or laboratory analyses, or liability arising out of the operation of a treatment facility. The policy must contain a separation of insureds clause. If a motor vehicle is used in connection with the work to be performed, the Business Automobile Liability policy will include coverage at least as broad as Insurance Services Office (ISO) CA 99 48 and be endorsed to include Motor Carrier Act endorsement MCS 90.

**GENERAL TERMS AND CONDITIONS
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- G. Pollution Legal Liability with limits of at least \$3,000,000 each occurrence, claim, or wrongful act and \$6,000,000 aggregate

The above limits may be satisfied by any combination of both primary and excess limits. Seller shall arrange a waiver of subrogation for the above and with the exception of 2., B., C., shall name Buyer as an additional insured under each of the above policies and shall provide to Buyer, within fifteen (15) days of Buyer issuance of this subcontract, a Certificate of Insurance evidencing compliance with this section.

22. Release Of Information

Seller shall not publish any information developed under this Subcontract, nor disclose, confirm, or deny any details about the existence or subject matter of this Subcontract, or use Buyer's name in connection with Seller's sales promotion or publicity without prior written approval of the Buyer.

23. Disputes

The provisions of this Subcontract shall be interpreted in accordance with the laws of the State of New York without resort to said state's Conflict of Law rule, and in accordance with its fair meaning and not strictly against either party. Pending final resolution of a dispute hereunder, Seller shall proceed diligently with the performance of this Subcontract and in accordance with all the Terms and Conditions contained herein and with the Buyer's direction thereof. Buyer and Seller shall each bear its own costs of processing any dispute hereunder. In no event shall the Seller acquire any direct claim or direct course of action against the United States Government.

24. Assignments and Subcontracting

(a) Neither this Subcontract nor any interest herein nor claim hereunder may be transferred, novated, assigned or delegated by Seller; nor may all or substantially all of this Subcontract be further subcontracted by Seller without the prior written consent of Buyer. Lack of consent shall not be deemed as a waiver or otherwise relieve Seller of its obligations to comply fully with the requirements hereof.

(b) Notwithstanding the above, Seller may, without Buyer's consent, assign moneys due or to become due hereunder provided Buyer continues to have the right to exercise any and all of its rights hereunder, settle any and all claims arising out of, and enter into amendments to the Subcontract without notice to or consent of the assignee. Buyer shall be given prompt notice of any assignment. Amounts so assigned shall continue to be subject to any of Buyer's rights to set-off or recoupment under this Subcontract or at law.

(c) Either Party may assign this Subcontract to any successor in interest.

25. Government Contracts

For each Subcontract awarded in support of and charged to a U.S. Government Contract, Supplement 1 – U.S. Government Contract Provisions from the Federal Acquisition Regulation (FAR) [Buyer's Form CC009] and Supplement 2 – U.S. Government Contract Provisions from the Defense Federal Acquisition Regulation [Buyer's Form CC010] shall apply along with any other applicable flow-downs required by the Federal Acquisition Regulation (FAR) or the Defense Federal Acquisition Regulation Supplement (DFARS) or any other Federally published Supplement. All such appended FAR, DFARS, or other clauses are incorporated by reference as if set forth at length herein. The Seller shall ensure that all such applicable flow-down

clauses are included in each lower tier subcontract with Seller's suppliers.

26. Order of Precedence

In the event of a conflict between these Terms and Conditions and other portions of the Subcontract, the order of precedence shall be: (a) any typed provisions on the face of Buyer's Subcontract specifically modifying the terms of this Subcontract; (b) the terms and conditions set forth in that certain Master Supply Agreement executed between Buyer and Seller; (c) these Terms and Conditions; and, (d) any other provisions set forth in the Buyer's Subcontracts including any terms and conditions stated or referenced therein.

27. Independent Contractor Status

Seller is, and shall remain, an independent contractor during the performance of this Subcontract.

28. Communication with Buyer's Customer

Buyer shall be solely responsible for any and all communication with Buyer's customer regarding this or any related Subcontract.

29. Survivability

All of the provisions of this Subcontract shall survive the termination (whether for convenience or default), suspension or completion of this Subcontract unless they are clearly intended to apply only during the term of this Subcontract.

30. Audit Rights

Buyer reserves the right, to the extent required by applicable law or regulation to have U.S. Government representative audit Seller's records to assure compliance with the terms of this Subcontract. Seller shall make available all data reasonably requested by Buyer.

31. Taxes

Unless this Subcontract specifies otherwise, the price of this Subcontract includes, and Seller is liable for and shall pay, all taxes, impositions, charges and exactions imposed on or measured by this Subcontract except for applicable sales and use taxes that are separately stated on Seller's invoice. Prices shall not include any taxes, impositions, charges or exactions for which Buyer has furnished a valid exemption certificate or other evidence of exemption.

32. Electronic Transmissions

(a) The parties agree that if this Subcontract is transmitted electronically, neither party shall contest its validity, or any acknowledgment thereof, on the basis that this Subcontract or acknowledgment contains an electronic signature.

(b) Seller shall, at Buyer's request and Seller's expense, send and receive business transactions by electronic means using Web-based technologies. Such Web-based technologies for electronic transmissions may include a) email and (b) the Internet directly between Buyer and Seller.

33. Standards on Slavery and Human Trafficking in the Supply Chain

- (a) Suppliers – Pursuant to the California Transparency in Supply Chains Act and consistent with our commitment to excellence and corporate social responsibility, Buyer supports the eradication of human trafficking and slavery in supply chains around the world, including in our own. Buyer sets forth the following Company Standards that its suppliers must meet in order to do business with Buyer:
- Suppliers that provide goods or services to Buyer shall operate in full compliance with the laws of their respective countries and with all other applicable laws, rules and regulations.

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- Suppliers shall employ only workers who meet the applicable minimum legal age requirement for employment in the country or countries in which they are doing business.
- Suppliers shall not employ any prison, indentured or forced labor.
- Suppliers must comply with all applicable laws, regulations and industry standards on working hours and working conditions.
- Suppliers must certify that materials incorporated into goods provided to Buyer comply with the laws regarding slavery and human trafficking of the country or countries in which they are doing business.

(b) As a condition of doing business with Buyer, our suppliers must comply with these Company Standards. Buyer will continue to develop monitoring systems to assess and ensure compliance. If Buyer determines that a supplier has violated these Standards, Buyer may, in its discretion, either terminate the business relationship and/or require the supplier to implement a corrective action plan as a condition of future business.

34. LIMITATION OF LIABILITY

IN NO EVENT SHALL SELLER BE LIABLE FOR INDIRECT, SPECIAL, CONSEQUENTIAL, MULTIPLE OR PUNITIVE DAMAGES, OR ANY DAMAGE DEEMED TO BE OF AN INDIRECT OR CONSEQUENTIAL NATURE ARISING OUT OF OR RELATED TO ITS PERFORMANCE UNDER THE CONTRACT, WHETHER BASED UPON BREACH OF CONTRACT, WARRANTY, NEGLIGENCE AND WHETHER GROUNDED IN TORT, CONTRACT, CIVIL LAW OR OTHER THEORIES OF LIABILITY, INCLUDING STRICT LIABILITY. TO THE EXTENT THAT THIS LIMITATION OF LIABILITY CONFLICTS WITH ANY OTHER PROVISION(S) OF THIS CONTRACT, SAID PROVISION(S) SHALL BE REGARDED AS AMENDED TO WHATEVER EXTENT REQUIRED TO MAKE SUCH PROVISION(S) CONSISTENT WITH THIS PROVISION. IN NO EVENT SHALL THE TOTAL CUMULATIVE LIABILITY OF SELLER OR ITS SUBCONTRACTORS OR SUPPLIERS OF ANY TIER WHETHER IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY) OR OTHERWISE FOR THE PERFORMANCE OR BREACH OF THE CONTRACT OR ANYTHING DONE IN CONNECTION THEREWITH EXCEED THE CONTRACT PRICE. NOTWITHSTANDING ANYTHING ELSE IN THE CONTRACT TO THE CONTRARY, THE STATED MONETARY LIMITATION HEREINABOVE IS THE MAXIMUM LIABILITY SELLER HAS TO THE BUYER.

Confidential treatment has been requested with respect to the information contained with the [**] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission

L-3 Division	Program Name	Proposed Scope	Start Date	End Date	Internat'/ Domestic	Country	Customer	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Exclusivity	Exh A
L-3 Communication Systems - East (from C2S2)	United States Coast Guard (USCG) National Security Cutter (NSC), USCGC STRATTON (WMSL-752) Automated Communications Resource Manager (ACRM) and ExComms Upgrades	Long lead material and production of 68 PWAs	6/1/2012	5/31/2013	Domestic	USA	L-3 C2S2	**	**	**	**	**
L-3 Communication Systems - East (from C2S2)	Integrated Cyber Operations (ICO) Pillar	1. Electronic Key Management System (EKMS) 2. Crypto Modernization 3. Cryptographic Equipment/High Assurance Internet Protocol Equipment (HAIPE) 4. TEMPEST (Tests Emissions Security) 5. Information Assurance 6. Security Engineering 7. Shipboard Interior/Exterior Communications	40934	7//12/2014	Domestic	USA	L-3 C2S2	**	**	**	**	**
L-3 Link Simulation & Training (from C2S2)	Japanese Landing Craft Air Cushion (LCAC)	Link to provide a "Deep Skirt Model" for Japan's LCAC Full Mission Simulator Upgrade	6/1/2013 (estimated)	6/1/2014 (estimated)	International	Japan	C2S2 who is the prime to the Japanes Ministry of Defense	**	**	**	**	**
Link Simulation & Training (from MPRI)	Operations, Training and Resource Support Services (OPTARSS II) - L-3 Team	Multiple Award (???) Primes) IDIQ for US Army Forces Command (FORSCOM) to provide services and support for operations and training of Army units at domestic installations.	TBD	TBD	Domestic		PEO-STRI	**	**	**	**	**
Link Simulation & Training (from MPRI)	Maneuver Center of Excellence (MCOE) Training and Support Services	Multiple Award (???) Primes) IDIQ for US Army Maneuver Center of Excellence (Fort Benning, GA) to provide services and support for training of Army units at Fort Benning, GA, and its associated training areas.	TBD	TBD	Domestic		Army Field User	**	**	**	**	**

L-3 Division	Program Name	Proposed Scope	Start Date	End Date	Internat'/ Domestic	Country	Customer	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Exclusivity	Exh A
L-3 IEC (from C2S2)	Seaport Video Scout FoS CM3/MC3 Development	Next generation video scout development	2/13/2013	2/13/2014	Domestic	USA	C2S2 (U.S. Navy as end customer)	**	**	**	**	**
L-3 Interstate Electronics (from GSES)	Port Security for Sub Bases in Vietnam	SEIT, wireless comm, data management services for port security	TBD	TBD	International	Vietnam	GS&ES	**	**	**	**	**
L-3/D.P. Associates Inc. (from GSES)	Contracted Advisory and Assistance Services IV (CAAS IV) ID/IQ	Provide training analysis, curriculum and courseware development.	2/3/2010	Anticipate subcontract will run through Oct 2016	Domestic	US	GSES (USAF end customer)	**	**	**	**	**
L-3/D.P. Associates Inc. (from C2S2)	4143-M805-06 (Purchase Orders issued against IDWA) IDWA options run through 1/3/15	PMA-299 Program Support (Option Yr 2)	1/4/2012	1/3/2013	Domestic	US	L-3 C2S2 (US Navy ultimate customer)	**	**	**	**	**
L-3/D.P. Associates Inc. (from C2S2)	4143-M805-06 (Purchase Orders issued against IDWA) IDWA options run through 1/3/15	PMA-263 TDL 20 Program Support (Option Yr 2)	1/4/2012	1/3/2013	Domestic	US	L-3 C2S2 (US Navy ultimate customer)	**	**	**	**	**
L-3/D.P. Associates Inc. (from C2S2)	4143-M805-06 (Purchase Orders issued against IDWA) IDWA options run through 1/3/15	PMA-263 TDL 36 Program Support (Option Yr 2)	1/4/2012	1/3/2013	Domestic	US	L-3 C2S2 (US Navy ultimate customer)	**	**	**	**	**
L-3 D.P. Associates Inc. (from MPRI)	Arab Academy for Science, Technology & Maritime Transport	Provide training and simulation based products for Arab Academy Maritime and Railroad training efforts	Upon program funding - TBD	NLT 30 Jun 2014	International	Egypt	Arab Academy for Science, Technology, and Marine Transport	**	**	**	**	**
L-3 STRATIS (from C2S2)	SPAWAR EUCOM C4ISR IT Support Services (Joint Warfighter)	Support US Navy, Armed Services and Unified Commands in all aspects of C4ISR engineering, continuing operations, managing technology refreshment for SPAWAR customers.	6/15/2011	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**
L-3 STRATIS (from C2S2)	Intelligence Operations and Communications Support Capabilities and Solutions (IOCS)	The purpose of this contract is to provide services and supplies to the SCR Division in support of a subset of intelligence and communications projects, including special warfare mission requirements, systems engineering and integration for intelligence/intelligence related fixed-base and mobile communications and computer systems; and communications support for intelligence surveillance and reconnaissance systems including unmanned vehicles, systems training and operational support.	4/12/2012	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
L-3 GSS (from GSES)	FEMA PAMSS	FEMA's National Continuity Programs (NCP) with program and mission support services. L-3 STRATIS will provide Task Manager(s) and the majority of required staff, fully qualified, for awarded task orders related to Operation Rendezvous (OPRON) (Gvt RFP No HSFWEMW-12-R-0001)	3/6/2012	TBD	Domestic	USA	L-3 GSES	**	**	**	**	**
L-3 STRATIS (from C2S2)	SPAWAR Battlespace Awareness (BA) Pillar	The contractor shall provide support for a broad range of Government services and solutions (equipment and services) associated with full system life cycle support including research, development, test, evaluation, production and fielding of sustainable, secure, survivable, and interoperable C5ISR, Information Operations, Enterprise Information Services (EIS) and Space capabilities.	1/31/2012	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**
L-3 STRATIS (from C2S2)	SPAWAR Integrated Cyber Operations (ICO) Pillar	The ICO Portfolio requirements encompass all aspects of information assurance including cryptographic devices and Network User Authentication. Tasks supported under this procurement will be related to delivering capabilities to operate, secure and defend networks and data in support of the warfighter's mission.	1/31/2012	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**
L-3 STRATIS (from C2S2)	SPAWAR Decision Superiority (DS) Pillar	The anticipated work will include engineering and development of command and control (C2) systems and application development for command, control, and decision support systems to enable utilization of information and decision aids to support decision making.	1/31/2012	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
L-3 STRATIS (from C2S2)	SPAWAR Business and Force Support (BFS) Pillar	The anticipated work will support the customers' ability to execute mission-essential business operations and other business and force support functions by developing, delivering and supporting systems and applications in the functional areas of Acquisition, Financial Management, Civilian Personnel, Legal, Administration, Military Manpower and Personnel, Logistics (includes Facilities, Environmental, Material, and Supply Management), Training & Education, Medical, Travel, Strategic Planning, Base Facility Support, and Security Systems.	1/31/2012	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**
L-3 STRATIS (from C2S2)	SPAWAR Production, Installation and In-Service (PII) Pillar	The anticipated work will include life cycle logistics, training and large-scale integration efforts to deliver and sustain C5ISR mission capabilities for surface, shore, sub-surface platforms and foreign military sales activities and cases.	1/31/2012	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**
L-3 STRATIS (from C2S2)	SPAWAR Transport and Computing Infrastructure (TCI) Pillar	The anticipated work will include the Ashore, Afloat, Mobile, Joint, and Federal Infrastructure business areas to include communications, satellite and jointspace communications, networks, network operations, network management, common computing environment, infrastructure to include all hardware and software components, cloud computing, afloat data centers and server hosting environments, consolidated network enterprise services components, and wireless networking.	1/31/2012	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**
L-3 STRATIS (from C2S2)	Software and Systems Engineering Services Next Generation (SSES NextGen)	Provide engineering and technical services to the CECOM LCMC SEC, its components and their successors	1/3/2011	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**
L-3 STRATIS (from C2S2)	Seaport-e	IT, Cyber Security	TBD	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**
L-3 STRATIS (from C2S2)	Seaport-e TO - DON/AA	Providing IT Services										
L-3 STRATIS (from C2S2)	ITD IT Systems & Applications Support		7/12/2012	TBD	Domestic	USA	L-3 C2S2	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
L-3 Unidyne, Inc (from C2S2)	SPAWAR- PRODUCTION, INSTALLATION, AND IN- SERVICE SUPPORT (PII)	The scope of this contract covers the entire spectrum of non-inherently governmental services and solutions (equipment and services) associated with the full system lifecycle support including research, development, test, evaluation, production and fielding of sustainable, secure, survivable, and interoperable Command, Control, Communications, Computers, Combat Systems, Intelligence, Surveillance, Reconnaissance (CSISR), Information Operations, Enterprise Information Services (EIS) and Space capabilities. Although not limited beyond the description above, this contract has a primary focus on mission capabilities within the Production, Installation, AND In-Service Support Portfolio (PII).	8/1/2012	7/31/2017	Domestic (with the possibility of some DoD tasking taking place in international locations)		SPAWAR	**	**	**	**	**
L-3 Unidyne, Inc (from C2S2)	SPAWAR- TRANSPORT & COMPUTING INFRASTRUCTURE (TCI)	The scope of this contract covers the entire spectrum of non-inherently governmental services and solutions (equipment and services) associated with the full system lifecycle support including research, development, test, evaluation, production and fielding of sustainable, secure, survivable, and interoperable Command, Control, Communications, Computers, Combat Systems, Intelligence, Surveillance, Reconnaissance (CSISR), Information Operations, Enterprise Information Services (EIS) and Space capabilities. Although not limited beyond the description above, this contract has a primary focus on mission capabilities within the Transport and Computing Infrastructure (TCI) Portfolio.	8/1/2012	7/31/2017	Domestic (with the possibility of some DoD tasking taking place in international locations)		SPAWAR	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Ex A</u>
L-3 Unidyne, Inc	SPAWAR- DECISION SUPERIORITY (DS)	The scope of this contract covers the entire spectrum of non-inherently governmental services and solutions (equipment and services) associated with the full system lifecycle support including research, development, test, evaluation, production and fielding of sustainable, secure, survivable, and interoperable Command, Control, Communications, Computers, Combat Systems, Intelligence, Surveillance, Reconnaissance (C5ISR), Information Operations, Enterprise Information Services (EIS) and Space capabilities. Although not limited beyond the description above, this contract has a primary focus on mission capabilities within the Decision Superiority Portfolio.	8/1/2012	7/31/2017	Domestic (with the possibility of some DoD tasking taking place in international locations)		SPAWAR	**	**	**	**	**
L-3 Unidyne, Inc (from C2S2)	SPAWAR - BUSINESS & FORCE SUPPORT (BFS)	The scope of this contract covers the entire spectrum of non-inherently governmental services and solutions (equipment and services) associated with the full system lifecycle support including research, development, test, evaluation, production and fielding of sustainable, secure, survivable, and interoperable Command, Control, Communications, Computers, Combat Systems, Intelligence, Surveillance, Reconnaissance (C5ISR), Information Operations, Enterprise Information Services (EIS) and Space capabilities. Although not limited beyond the description above, this contract has a primary focus on mission capabilities within the Business and Force Support (BFS) Portfolio.	8/1/2012	7/31/2017	Domestic (with the possibility of some DoD tasking taking place in international locations)		SPAWAR	**	**	**	**	**

L-3 Division	Program Name	Proposed Scope	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Exclusivity	Exh A
L-3 Unidyne, Inc (from C2S2)	SPAWAR - BATTLESPACE AWARENESS (BA)	The scope of this contract covers the entire spectrum of non-inherently governmental services and solutions (equipment and services) associated with the full system lifecycle support including research, development, test, evaluation, production and fielding of sustainable, secure, survivable, and interoperable Command, Control, Communications, Computers, Combat Systems, Intelligence, Surveillance, Reconnaissance (C5ISR), Information Operations, Enterprise Information Services (EIS) and Space capabilities. Although not limited beyond the description above, this contract has a primary focus on mission capabilities within the Battle-space Awareness (BA) Portfolio.	8/1/2012	7/31/2017	Domestic (with the possibility of some DoD tasking taking place in international locations)		SPAWAR	**	**	**	**	**
L-3 Unidyne, Inc (from C2S2)	SPAWAR - INTEGRATED CYBER OPERATIONS SUPPORT (ICO)	The scope of this contract covers the entire spectrum of non-inherently governmental services and solutions (equipment and services) associated with the full system lifecycle support including research, development, test, evaluation, production and fielding of sustainable, secure, survivable, and interoperable Command, Control, Communications, Computers, Combat Systems, Intelligence, Surveillance, Reconnaissance (C5ISR), Information Operations, Enterprise Information Services (EIS) and Space capabilities. Although not limited beyond the description above, this contract has a primary focus on mission capabilities within the Integrated Cyber Operations (ICO) Portfolio.	8/1/2012	7/31/2017	Domestic (with the possibility of some DoD tasking taking place in international locations)		SPAWAR	**	**	**	**	**
L-3 Unidyne, Inc (from C2S2)	SPAWAR - NATIONAL CAPITOL REGION (NCR) ELECTRONIC SECURITY SYSTEMS RFP N65236-09-R-0159 AWARD PENDING	NCR Security Engineering Support of Systems Engineering analysis and development services for Anti-Terrorism/Force Protection Systems	3/1/2012	2/28/2017	Domestic		SPAWAR	**	**	**	**	**
L-3 Unidyne, Inc (from C2S2)	US COAST GUARD - LIFE SUPPORT SYSTEMS TECHNICAL ASSISTANCE (SEAPORT-E TASK ORDER RFP N00024-11-R-3410 AWARD PENDING)	Services for Program and Technical Support for the United States Coast Guard Life Support Systems	PLANNED 10/1/2011	9/30/2014	Domestic		US COAST GUARD	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
Seaport-e (N00178-04-D-4143) Task Orders	<-- Affected if the Seaport-e contract N00178-04-D-4143 goes to Engility											
L-3 Unidyne, Inc. (from C2S2)	N00178-04-D-4143 Seaport Task Order RFP N0024-12-R-3129 for CV-TSC Support to NUWC Keyport	Modification and installation of upgrades and alterations to the Tactical Support Center on Aircraft Carriers.	9/18/2012 (estimated)	17-Sep-15	Domestic	USA	NUWC Keyport	**	**	**	**	**
L-3 Unidyne, Inc. (from C2S2)	N00178-04-D-4143 Seaport Task Order RFP N0024-12-R-3291 for Surveillance Radar Engineering support to NSWC Port Hueneme Division Dam Neck	Provide engineering, logistics, and technical support to the U.S. Navy on shipboard surveillance radars	7/1/2012 (estimated)	30-Jun-15	Domestic	USA	NSWC PHD Dam Neck Detachment	**	**	**	**	**
3Di Tech (from C2S2)	SPAWAR Joint C4ISR	Field Technical Support	Not Awarded	Not Awarded	Both	Global	SPAWAR	**	**	**	**	**
3Di Tech (from C2S2)	SPAWAR Transport and Computing Infrastructure (TCI) Pillar	Field Technical Support	Not Awarded	Not Awarded	Both	Global	SPAWAR	**	**	**	**	**
3Di Tech (from C2S2)	SPAWAR Battle Awareness Pillar	Field Technical Support	Not Awarded	Not Awarded	Both	Global	SPAWAR	**	**	**	**	**
3Di Tech (from C2S2)	SPAWAR Intergrated Cyber Operations (ICO) Pillar	Field Technical Support	Not Awarded	Not Awarded	Both	Global	SPAWAR	**	**	**	**	**
3Di Technologies (from GSES)	Equatorial Guinea	Provide satellite communications and technical supprt	est 2/12	est 2/13	International	Equatorial Guinea	L-3 GS&ES Intel Community	**	**	**	**	**
3Di Tech (from LOTSD)	D-Lite	Satellite Comms/IT Services & Support	Not Awarded	Not Awarded	International	Afghan	L-3 GS&ES Intel Community	**	**	**	**	**
3Di Tech (from MPRI)	CJPS	Satellite Comms/IT Comms Service & Support	Undetermined	Undetermined	International	Global	DOJ/DOS	**	**	**	**	**
3Di Tech (from MPRI)	CNTPO	Satellite Comms/IT Service & Support	Not Awarded	Not Awarded	International	Global	DoD/USG	**	**	**	**	**
ESSCO (from GSES)	China Lake	Design and build a truck for	TBD	120 Days ARO	Domestic	USA	L-3 GS&ES for US Army	**	**	**	**	**
ESSCO (from GSES)	Unknown	Design and build a Super Sentinel for Jordan	TBD	150 Days ARO	International	Jordan	L-3 GS&ES	**	**	**	**	**
ESSCO (from GSES)	Mobile Surveillance Systems (MSS)	Design and build 2 covert surveillance SUVs for the Royal Saudi Family	TBD	150 Days ARO	International	KSA	L-3 GS&ES	**	**	**	**	**

TEAMING AGREEMENT
BETWEEN

[DIVISION NAME] a Division of L-3

[COMPANY NAME]

[DIVISION ADDRESS]
[City, State Zip]

AND

[ADDRESS]
[City State, Zip]

This "Agreement" is made and entered into this day of , 2012 by and between [DIVISION NAME] ("Subcontractor"). Prime Contractor and Subcontractor are sometimes hereinafter referred to as "Team Member(s)." ("Prime Contractor") and [COMPANY NAME]

RECITALS

WHEREAS, the ("Customer") will issue or has issued a solicitation or requirement under which the Customer will request proposals for the provision of certain supplies and/or services to support the Subcontract with Options ("Program"); Note – Program needs to be clearly defined especially when a Program is either an IDIQ or a Base

WHEREAS, Prime Contractor intends to submit a proposal or proposals for the Program pursuant to this Agreement (hereinafter "Proposal");

WHEREAS, Subcontractor's products or services complement, supplement, or support the products or services of Prime Contractor's planned Proposal for the Program;

WHEREAS, Subcontractor shall provide the products and/or services stated in Exhibit A and Prime Contractor and/or its subcontractors shall be responsible for its products, services, and the remainder of the Program, including overall Program management;

WHEREAS, the Team Members, consistent with Federal and State laws governing restraint of trade and competition, believe that a cooperative and necessarily complementary effort between the two will result in an offer to the Customer that is the most advantageous combination of technical, managerial, and cost solutions, that is fully compliant with all laws, and that increases competition for the Program; and

WHEREAS, the Team Members, to this end, desire to enter into this Agreement to provide for the joint preparation of a Proposal in response to the Program.

NOW THEREFORE, in consideration of the premises, as well as the mutual obligations herein made and undertaken, the Team Members, intending to be legally bound, hereby covenant and agree as follows:

Section 1.
ALLOCATION OF RESPONSIBILITY; SUBMISSION OF PROPOSAL

1.1. The Prime Contractor shall take principal charge of preparing and submitting the Proposal in response to the Program and performing the work entailed in the resulting prime contract ("Prime Contract"). Subcontractor shall provide appropriate and high quality personnel and use its best efforts to prepare those technical portions of the Proposal relating to, and perform the work entailed in, the areas described in Exhibit A, subject to the direction of the Prime Contractor. Subcontractor shall assist in such additional responsibilities assigned by Prime Contractor by mutual agreement between the parties. In addition, the Subcontractor agrees to provide the products and services necessary for successfully supporting any benchmark, test, or other demonstration of its products or services called for by the Program.

1.2. The Subcontractor shall also prepare and submit a cost proposal for the work entailed in the areas described in Exhibit A. The cost or pricing data contained therein shall be broken down and provided in the time and manner prescribed by the Prime Contractor so as to enable it to comply fully with the evaluation and reporting requirements in the Program. The Proposal shall contain or be accompanied by accurate, current and complete pricing information in sufficient detail to permit costing of the Prime Contract and negotiation of the subcontract for the Exhibit A work. Nothing contained herein shall be construed to require the disclosure of proprietary cost or pricing data to the Prime Contractor. However, the Subcontractor does agree to make said proprietary data available to the Customer's auditors in accordance with applicable regulations.

1.3. The Team Members shall jointly develop cost targets for those portions of the Program to be performed by the Subcontractor so as to maximize the competitiveness of the Proposal. The Subcontractor agrees to propose costs that meet the agreed-upon targets.

1.4. The Subcontractor agrees to meet all deadlines reasonably imposed to meet the Proposal submission deadlines, or any amendments thereto, set forth in the Program.

1.5. The Prime Contractor will keep the Subcontractor fully advised of any change that may affect the Subcontractor's area of responsibility. The Prime Contractor, however, shall have the right to determine the final contents of the Proposal. If requested by the Prime Contractor, the Subcontractor will ensure the availability of appropriate high quality management and technical personnel to assist the Prime Contractor in any discussions and negotiations with the Customer. However, except as otherwise directed by the Prime Contractor, all communications with the Customer concerning the Program shall be through Prime Contractor.

1.6. The Proposal submitted to the Customer shall contain and identify the Subcontractor's contribution to the Proposal for the work identified as the Subcontractor's responsibility in Exhibit A hereto.

1.7. Team Members shall perform such additional effort subsequent to the submission of the Proposal as appears reasonable to obtain the Prime Contract.

1.8. Subcontractor hereby authorizes Prime Contractor to use Subcontractor's logos and trademarks to prepare the Proposal and to market Subcontractor's products or services under the Prime Contract. Prime Contractor agrees to use the logos and trademarks in accordance with any written policies or directions provided by Subcontractor to Prime Contractor.

Section 2. PARTICIPATION IN COMPETITIVE PROPOSALS

2.1. Select one of the clauses below in the alternative and delete the Gray text:

EXCLUSIVE: During the effective term of this Agreement, each Team Member agrees that it will not, directly or indirectly, in any manner, participate in any activity that is competitive to this Agreement, and that it will not compete independently, including the independent submission of a proposal to the Customer for the Program. However, this Agreement shall not preclude either party from bidding or contracting independently from the other on any other Government or industry program that may develop or arise in the general area of business related to this Agreement.

NON-EXCLUSIVE: Both Team Members may respond to the Program independently of the effort anticipated by this Agreement, including in combination with third parties. However, Team Members shall not use any data or information collected or received under this Agreement to further said efforts. In order to protect Proprietary Information, each party agrees to inform the other party where it elects or

earnestly contemplates working on the Program outside the scope of this Agreement. This Agreement shall not preclude either party from bidding or contracting independently from the other on any Government or industry program that may develop or arise in the general area of business related to this Agreement. Nor shall this Agreement preclude either Team Member from offering to sell, or selling, to others any supplies or services that it may regularly offer for sale, even though such supplies or services may be included in the Proposal.

Section 3.
AWARD OF SUBCONTRACT

3.1. In the event that the Prime Contractor is awarded the Prime Contract for this Program, each Team Member agrees to negotiate in good faith and proceed in a timely manner to execute a mutually acceptable subcontract for the work to be performed by the Subcontractor and identified in Exhibit A. Subcontractor acknowledges that unless otherwise agreed in Exhibit A, Prime Contractor may itself provide or may use other subcontractors to provide under the Program services or products that are similar to or compete with Subcontractor's product or services in Exhibit A.

3.2. The Team Members acknowledge that the subcontract, and any modifications thereto, may be subject to the consent or approval of the Customer. The Prime Contractor agrees to use all reasonable efforts to secure such consent or approval.

3.3. The subcontract shall include terms and conditions that are required to be flowed down by law, regulation or the Program, such other provisions as the Prime Contractor may reasonably require for the performance of its obligations under the Prime Contract, including but not limited to a termination for convenience and a changes clauses. The subcontract shall also include such other provisions upon which mutual agreement is reached.

3.4. The award of the subcontract contemplated under this Agreement is subject to all the following conditions:

- 3.4.1. Award of a Prime Contract to Prime Contractor;
- 3.4.2. Inclusion in the Prime Contract of subcontract requirements that are substantially similar to those proposed under this Agreement and the Program;
- 3.4.3. Furnishing by the Subcontractor to Prime Contractor all certifications, representations, and cost and pricing data or basis for exemptions as required by applicable law or regulation, by the Program, or by the Prime Contract;
- 3.4.4. Customer's specific approval of Subcontractor as a subcontractor, if required, which approval Prime Contractor shall make a good faith effort to obtain; and
- 3.4.5. Mutual agreement of the parties to the statement of work, financial terms, and contractual provisions.

3.5. Unless otherwise mutually agreed, the Team Members agree to negotiate in good faith a subcontract for the Prime Contract, with the understanding that any such subcontract shall be subject to changes based on Prime Contractor's final definitized Prime Contract.

Section 4.
LIMITATION OF RIGHT TO REIMBURSEMENT, PAYMENT, OR COMPENSATION

4.1. Each party to this Agreement will bear the respective costs, risks, and liabilities incurred by it as a result of its obligations and efforts under this Agreement. Therefore, neither the Prime Contractor nor the Subcontractor shall have any right to reimbursement, payment, or compensation of any kind from the other during the period prior to the execution of any resulting subcontract, between the Prime Contractor and the Subcontractor for the work described in this Agreement. Each party shall be responsible for its respective taxes, duties, tariffs, fees, imports, and other charges.

Section 5.
PROPRIETARY INFORMATION AND TECHNICAL DATA

5.1. Each Team Member agrees to handle the proprietary data ("Proprietary Information") of the other in accordance with the terms and conditions of the Proprietary Information Agreement (PIA) attached hereto as Exhibit B, and incorporated herein. Where the term of the PIA attached hereto will expire prior to the expiration of this Agreement, the Team Members agree that by incorporation herein, the term of the PIA shall extend until the termination of this Agreement, notwithstanding any earlier termination date set forth in the PIA.

5.2. Both Team Members confirm and agree that neither their consultants nor their employees shall be requested or otherwise encouraged to obtain or provide information of the Customer or any third party, which may not be legally disclosed, whether by reason of security classification or other legal restriction. Furthermore, each Team Member agrees not to knowingly accept or use any such information in any proposal developed under the Program.

5.3. Technical data exchanged hereunder may be subject to United States Export Control laws and regulations as currently enacted, or as subsequently modified. Accordingly, the parties shall strictly abide by all applicable U.S. Export Control laws and regulations governing the transfer, export, or re-export of technical data. Proprietary Information exchanged under this agreement may contain technical data that is categorized on either:

5.3.1. The United States Munitions List and, as such, subject to the International Traffic in Arms Regulations (ITAR, 22 C.F.R. §§120-130); or

5.3.2. The Commerce Control List, and as such, subject of the Export Administration Regulations (EAR, 15 C.F.R. §§730-774).

Accordingly, each party represents and warrants that it shall not transfer the other party's technical data directly or indirectly to any individual, employee, company, or other entity without first complying with all requirements of the ITAR, the EAR, and any other applicable export restrictions, including the requirement for obtaining any export license, if applicable. Further, any such disclosure shall not be without an express written notification to the originating party. Technical data that is controlled by the ITAR, EAR, or other applicable export restrictions shall not be released to foreign nationals, including foreign national employees, employees' companies, or other entities without first obtaining the appropriate export license or other approval from the U.S. Government. Where the U.S. Government amends the applicable rules, regulations, or laws controlling the export of technical data, Subcontractor agrees to comply with the rules, regulations, or laws as amended.

5.4. Notwithstanding anything to the contrary herein, Prime Contractor may use data furnished by Subcontractor hereunder in performing its obligations under this Agreement or the subcontract and may include the data in the Proposal. Where Subcontractor requests in writing that such data contain a restrictive legend, Prime Contractor shall mark such data with the restrictive legend provided in writing by Subcontractor but only to the extent U.S. Government regulations or laws permit the restrictive legend.

Section 6.
SOLICITATION OF EMPLOYEES

6.1. Each Team Member agrees that, during the period of this Agreement, the term of any resultant subcontract, and for six (6) months thereafter, each party agrees not to directly or indirectly solicit or hire the employees of the other party assigned to work in connection with this Agreement and the Program without the prior written approval of the other party. The parties further agree to include a

non-solicitation provision, similar to this provision, in any subcontract that results from this Agreement. However, neither party will be precluded from hiring any employee of the other party who responds to any public notice or advertisement of an employment opportunity unrelated to the Program.

Section 7.
ACCESS TO CLASSIFIED OR RESTRICTED INFORMATION

7.1. Notwithstanding anything to the contrary herein, access to or use of any information that is classified, limited access information, For Official Use Only information, or any other type of restricted access information shall be governed by the relevant regulations, laws, and agreements promulgated by the U.S. Government.

Section 8.
LIMITATIONS ON THE NATURE OF THE AGREEMENT

8.1. This Agreement does not constitute or create a joint venture, pooling arrangement, partnership, or formal business organization of any kind, other than a contractor team arrangement as set forth in FAR §9.601, and the rights and obligations of the parties shall be only those expressly set forth herein. Neither Team Member shall have authority to bind the other except to the extent authorized herein. Nothing herein shall be construed as providing for the sharing of profits or losses arising out of the effort of either of the Team Members. This Agreement only binds the parties named hereto. It is not intended and does not bind any other entity owned in whole or in part by of L-3 Communications Corporation, including, but not limited to subsidiaries, affiliated companies, joint ventures, or corporations.

Section 9.
RIGHTS IN INTELLECTUAL PROPERTY

9.1. Intellectual property shall remain the property of the originating party, and except as set specifically forth in this Agreement, nothing in this Agreement shall be interpreted as granting any right or license. In the event of joint inventions, discoveries, or development, the Team Members shall establish their respective rights by good faith negotiations between them taking into consideration their respective contributions. In this regard, it is recognized and agreed that the Team Members may be required to, and shall, grant licenses or other rights to the Customer to inventions, data, and information under such standard provisions which may be contained in the Prime Contract contemplated by this Agreement or required by law; provided, however, such licenses or other rights shall not exceed those required by the Prime Contract or by law. Neither Team Member shall take any action, or fail to take any required action, which prejudices the rights of the other Team Member in joint inventions, discoveries, or developments.

Section 10.
PUBLICITY

10.1. Any news release, public announcement, advertisement, or other publicity proposed for release by Subcontractor concerning the Program, either Team Member's efforts in connection with the Proposal, or any resulting Prime Contract or subcontract, will be subject to the good faith review and written approval of Prime Contractor prior to release.

Section 11.
DESIGNATION OF RESPONSIBLE INDIVIDUALS AND NOTICE

11.1. All notices, certificates, acknowledgments, and other reports hereunder, shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by confirmed facsimile or telecopy, or otherwise delivered by hand, overnight courier or by messenger, addressed to the parties at the address set forth below in §11.2 or at such other address as a party shall have furnished to the other

party in writing. Each such notice or other communication shall be treated as effective or having been given when delivered if delivered personally, if sent by mail, at the earlier of its receipt or 96 hours after the same has been deposited in a regularly maintained receptacle for the deposit of mail, addressed and mailed as set forth above, or if by Email, upon sender receipt of electronic confirmation that recipient is in receipt of the email.

11.2. All communications relating to this Agreement shall be directed to the specific person designated to represent the Prime Contractor and the Subcontractor on this Program, as set forth below. Each Team Member shall appoint one Program and one contractual representative. These appointments shall be kept current during the period of this Agreement. Communications, which are not properly directed to the persons designated to represent the Prime Contractor and the Subcontractor, shall not be binding upon the Prime Contractor or the Subcontractor.

11.2.1. **For Prime Contractor:**

	<u>CONTRACTUAL</u>	<u>PROGRAM</u>
Name:		
Title:		
Email:		
Phone:		
Fax:		
Address:		
City, State, Zip:		

11.2.2. **For Subcontractor:**

	<u>CONTRACTUAL</u>	<u>PROGRAM</u>
Name:		
Title:		
Email:		
Phone:		
Fax:		
Address:		
City, State, Zip:		

**Section 12.
TERMINATION**

12.1. This Agreement shall automatically terminate effective upon the date of the happening or occurrence of any one of the following events or conditions:

- 12.1.1. Official Customer announcement or notice of the cancellation of the Program;
- 12.1.2. The receipt of written notice from the Customer that it will not award a contract for this Program to the Prime Contractor;
- 12.1.3. The receipt of official Customer notice that either the proposed Subcontractor or subcontract will not be approved under the Prime Contract, that substantial areas of the Subcontractor's proposed responsibility have been eliminated from the requirements, or that Prime Contractor must competitively procure Subcontractor's products or services and Subcontractor does not offer the best value pursuant to said competition;
- 12.1.4. Award of a subcontract by the Prime Contractor to the Subcontractor.

12.1.4.1 However, if a subcontract is awarded to the Subcontractor for a Program which contemplates multiple awards by way of delivery orders, task orders, etc., or any options, this Agreement shall remain in effect until all such future orders or options for

the Program have been awarded, unless this Agreement is otherwise terminated in its entirety upon the happening or occurrence of any one of the other events or conditions set forth in this §12.1;

- 12.1.5. Mutual agreement of the parties to terminate the Agreement;
- 12.1.6. [Optional Period – fill in] (#) year[s]] after the effective date of this Agreement, provided, however, if the Proposal has been submitted and is under evaluation by the Customer at the expiration of such period, this Agreement shall remain in effect unless this Agreement is otherwise terminated in its entirety upon the happening or occurrence of any one of the other events or conditions set forth in this §12.1;
- 12.1.7. A material breach by either Team Member of any of the provisions contained herein;
- 12.1.8. The filing by or against either Team Member in any court of competent jurisdiction of a petition in bankruptcy or insolvency, or for reorganization, or for the appointment of a receiver or trustee; or the making of an assignment for the benefit of creditors;
- 12.1.9. Prime Contractor elects in its sole discretion not to submit a Proposal in response to the Program;
- 12.1.10. Notification by the Customer or a good faith determination by Prime Contractor, that Subcontractor’s involvement creates an organizational conflict of interest (“OCI”), and Prime Contractor’s good faith determination that Subcontractor cannot sufficiently mitigate such OCI;
- 12.1.11. The Customer debars or suspends either party from contracting;
- 12.1.12. Failure of the parties to reach agreement on a subcontract within a reasonable time after the award of a Prime Contract; or
- 12.1.13. Delivery of past performance or evaluation data from Subcontractor that Prime Contractor reasonably determines to jeopardize the likelihood of an award of the Prime Contract.

12.2. Notwithstanding anything to the contrary in §12.1, where there is a protest against the award of a contract or the institution of any type of action or legal proceeding designed to challenge Customer’s award of a contract in this Program, this Agreement will not terminate until after there is a final decision, which has not been appealed, or cannot be appealed, on the protest or other legal action or proceeding.

12.3. If the Customer materially changes the Program’s content by adding or deleting work elements (e.g., adding the work being performed on one or more other programs) after the parties enter into this Agreement, the parties shall enter into good faith negotiations to modify this Agreement in light of such changes to the Program. If the parties fail to agree upon a modification to this Agreement within a reasonable time under the circumstances, either party may terminate this Agreement.

12.4. If this Agreement is terminated for any reason other than pursuant to §12.1.7, either party is free to pursue its individual technical approach in association with the successful contractor or a third party for the Program. Where this Agreement is terminated pursuant to §12.1.7 for material breach, only the non-breaching party is free to pursue its individual technical approach in association with the successful contractor or a third party for the Program.

12.5. All terms and conditions of this Agreement that by their nature are intended to survive termination, including but not limited to §§5, 6, 9, 10, 13, 14, 15, 16, 17, and Exhibit B, shall remain enforceable subsequent to termination.

Section 13.
LIMITED WARRANTY

13.1. Each Team Member warrants that it has the right to enter into this Agreement and can fully perform all obligations herein undertaken.

13.2. Each Team Member warrants that the data, information, and other material furnished to the other Team Member does not infringe any third-party rights in any U.S. patent, copyright, trademark, semiconductor mask, or trade secret.

13.3. Subcontractor warrants that any and all pricing data or pricing information provided for submission to the Customer is true, current, accurate, and complete. Subcontractor shall indemnify Prime Contractor for all losses and expenses that arise out of any breach of this warranty.

Section 14.
LIMITATION OF LIABILITY

14.1. Except for claims based on any infringement of proprietary rights, in no event shall either Team Member be liable to the other, as a result of the performance of this Agreement, for any loss of profits; any incidental, special, exemplary, or consequential damages; or any claims or demands brought against the other Team Member, even if such Team Member has been advised of the possibility of such damages.

Section 15.
APPLICABILITY OF STATE LAW

15.1. This Agreement shall be construed under the laws of the State of New York, except for the conflict of laws provisions, for all matters subject to state law. To the extent that the laws, rules, and regulations for U.S. Government procurement apply, then the laws commonly referred to as U.S. Government contract law shall apply.

15.2. All disputes arising out of or related to this Agreement will be subject to the exclusive jurisdiction and venue of the State of New York, and the parties hereby consent to such jurisdiction and venue. THE PARTIES HEREBY WAIVE TRIAL BY JURY WITH RESPECT TO ANY DISPUTE RELATING TO THIS AGREEMENT.

Section 16.
COMPLIANCE WITH LAWS AND REGULATIONS

16.1. Team Member agrees at all times to comply with all applicable Federal, State, and local laws, rules and regulations, including but not limited to, Executive Order 11246 as amended on Equal Opportunity, the Fair Labor Standards Act, the Walsh-Healy Public Contracts Act, the Foreign Corrupt Practices Act, and the Procurement Integrity Act.

**Section 17.
AGREEMENT**

17.1. Upon signing by their duly authorized representatives, this Agreement shall become a mutually binding agreement by and between Prime Contractor and Subcontractor. It shall not be varied, except by an instrument in writing of subsequent date duly executed by an authorized representative of each party.

17.2. This Agreement contains the entire agreement between the Team Members and supersedes any previous understandings, commitments, or agreements, oral or written, with respect to the Program, the Proposal, or any resulting subcontract or other work.

17.3. The parties agree that this Agreement may be executed by fax, facsimile, email, or similar electronic means and shall be as effective as and as binding as if the Agreement was executed with original signatures. The parties also agree that this Agreement may be executed in duplicate, with each party retaining one original.

17.4. The failure of either party at any time to require performance by the other party of any provision hereof, shall in no way effect the right of the party not requiring performance to enforce same. Nor shall waiver by said party of any breach of any provision hereof be taken or held to be a waiver of the provision itself.

17.5. If, for any reason, any provision of this Agreement is determined to be illegal or otherwise invalid or unenforceable under applicable present or future laws or regulations, that provision shall be deemed not to be a part of this Agreement, and so much of the remainder of this Agreement as shall otherwise remain intelligible shall be given full force and effect and shall bind the parties.

17.6. This Agreement may not be assigned or otherwise transferred, including by operation of law, by Subcontractor in whole or in part, without the express prior written consent of Prime Contractor.

IN WITNESS WHEREOF, each of the Team Members hereto has caused this Agreement to be executed by its duly authorized representative as of the day and year first above written.

PRIME CONTRACTOR

SUBCONTRACTOR

BY: _____
NAME: _____
TITLE: _____
DATE: _____

BY: _____
NAME: _____
TITLE: _____
DATE: _____

EXHIBIT A
STATEMENT OF WORK

- A.1 Subcontractor's Proposal Obligations
- A.2 Subcontractor' Prime Contract Obligations
- A.3 Work Share

PROPRIETARY INFORMATION AGREEMENT

Between

L-3 COMMUNICATIONS [insert Division name]

And

[COMPANY NAME]

This Agreement is made and entered into between [Division Name], a Division of L-3 [Fill in Corporate Entity] (“L-3”), having a place of business at and [COMPANY NAME] having a place of business at [COMPANY ADDRESS] (“Company”). For purposes of this Agreement, a party to this Agreement is referred to individually as a “Party,” while collectively both parties are referred to as “Parties.” This Agreement applies to the exchange of technical, financial, competition-sensitive information, or other business sensitive information, some of which may be deemed to be Proprietary Information as hereinafter defined.

1. Purpose: The Parties desire to provide a mechanism and capability for the exchange of Proprietary Information for the purpose of [INSERT PURPOSE] (“Purpose”).

2. Disclosure Period: The duration of this Agreement during which either Party may furnish to the other relating to and for the Purpose shall be for a period of two (2) years from the effective date of this Agreement, unless otherwise extended by the Parties in writing (“Disclosure Period”).

3. Term: The term of the Agreement (including the Protection Period) shall begin on the date of disclosure and ending three years from the end of the Disclosure Period.

4. Coordinators: Coordinators for each Party shall supervise the disclosure of Proprietary Information. The Coordinators are identified below:

	<u>FOR L-3 [DIVISION]</u>	<u>FOR COMPANY</u>
Name:		
Title:		
Email:		
Phone:		
Fax:		
Address:		
City State Zip:		

A Party may change its Coordinators by written notice to the other Party. However, all Proprietary Information, as hereinafter defined, exchanged under this Agreement shall be afforded the protection of this Agreement even if not furnished to the Coordinators listed above.

5. Proprietary Information:

- a. "Proprietary Information" shall be any and all business, technical and other information which is identified or labeled as "Proprietary" or "Confidential," whether written, oral or otherwise furnished by one Party (the "Disclosing Party") to the other Party (the "Receiving Party") and shall include, but not be limited to all data, reports, interpretations, forecasts and records which Receiving Party or its respective agents or employees shall have been furnished or had access to heretofore or hereafter in the course of the Parties' discussions. Proprietary Information shall also include information received as a result of plant tours, demonstrations or other visual or audio presentations or verbal disclosures that the Disclosing Party indicates in writing to the Receiving Party no later than thirty (30) business days after conveying such information that it is Proprietary Information.
- b. The foregoing shall not apply to:
- i. Information that at the time of disclosure had been previously published and available to the public;
 - ii. Information which is published after disclosure and available to the public, unless such publication is a breach of this Agreement;
 - iii. Information which, prior to disclosure hereunder was already in the possession of the Receiving Party as evidenced by records kept in the ordinary course of business or by proof of actual prior possession; and
 - iv. Information, which subsequent to disclosure hereunder, is obtained from a third person who (insofar as is known) is not in violation of any contractual, legal or fiduciary obligation with respect to such information.
- c. If any exception listed above in §5.b applies to only a portion of any confidential data, the remainder shall continue to be subject to the foregoing prohibitions and restrictions. Proprietary Information is not to be deemed to be in the public domain merely because any part of the Proprietary Information is embodied in a general disclosure or because individual features, components, or combinations thereof are now or become known to the public.

6. Restrictions: Each Party agrees that, during the term of this Agreement it shall: (a) use any Proprietary Information disclosed to it only for the Purpose stated above; (b) not disclose the Proprietary Information to any third party; (c) not disclose the Proprietary Information to any employee who does not have a need-to-know such information; and (d) employ the same standard of care it uses to protect its own Proprietary Information, paying particular attention to avoid disclosing Proprietary Information to employees or parties who may be or are also examining or participating in business opportunities competitive to the Purpose. In no case shall the standard of care with respect to the Proprietary Information be less than reasonable care.

The Receiving Party shall not be liable for inadvertent disclosure or use of information received hereunder if, upon discovery of such, it shall take reasonable steps to prevent any further inadvertent disclosure or unauthorized use. The Receiving Party may make disclosure pursuant to requirements of a solicitation anticipated by the Purpose of this Agreement, provided it is appropriately marked with restrictive legends. If the Receiving Party is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand, similar process or otherwise), to disclose any Proprietary Information, the Receiving Party shall provide the Disclosing

Party with prompt notice of such request(s) so that the Disclosing Party may seek an appropriate protective order and/or waive the Receiving Party's compliance with the provisions of this Agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder, the Receiving Party shall be, in the written opinion of its counsel, compelled to disclose Proprietary Information under pain of liability for contempt or other material censure or material penalty, the Receiving Party may disclose such information to such tribunal(s) without liability hereunder. In any event, the Receiving Party shall disclose only so much of the Proprietary Information as it is legally compelled to disclose, and will take reasonable steps to obtain assurances that any Proprietary Information it must disclose will be treated confidentially to the extent possible.

7. Compliance with Export Regulation and Similar Restrictions: All information, including Proprietary Information exchanged hereunder may be subject to restrictions on the exchange imposed by the United States Government. Such restrictions include, but are not limited to: the International Traffic in Arms Regulations (ITAR, 22 C.F.R. §§120-130), the Export Administration Regulations (EAR, 15 C.F.R. §§730-774), laws concerning the disclosure of classified information, and other laws and regulations restricting disclosure. Accordingly, the Parties agree to abide by all such applicable laws and regulations governing the transfer, export, or re-export of technical data, including all amendments thereto. Technical data that is controlled by the ITAR, EAR, or other applicable export restrictions shall not be released to foreign nationals, including foreign national employees of US companies, foreign companies, or other entities without first obtaining the appropriate export license or other approval from the U.S. Government.

8. Other Rights and Obligations: Except as expressly set forth herein, no license is either granted or implied in the Proprietary Information, patents, inventions, copyrights, or trademarks of either Party. Communications from either Party shall not be in violation of the proprietary rights of any third party. In the event of termination of this Agreement, the receiving Party shall at the option of the disclosing Party either promptly destroy the disclosing Party's Proprietary Information and certify its destruction, or promptly return it to the disclosing Party. Neither Party is required by this Agreement to disclose Proprietary Information to the other Party; all such disclosures are at the sole discretion of the Disclosing Party. This Agreement does not create any agency, partnership, or business relationship between the parties.

9. Warranties: Each Party warrants that it has the right to make the disclosures under this Agreement. Except as otherwise specifically provided in this Agreement, **NO OTHER WARRANTIES ARE MADE BY EITHER PARTY UNDER THIS AGREEMENT. ANY INFORMATION EXCHANGED UNDER THIS AGREEMENT IS PROVIDED "AS IS."**

10. Disputes and Governing Law: It is the intent of the Parties that this Agreement be construed, interpreted, and applied in accordance with the laws of the State of New York exclusive of its conflicts of law rules. All disputes arising out of or related to this Agreement will be subject to the exclusive jurisdiction and venue of the state and federal courts located in State of New York, and the parties hereby consent to such jurisdiction and venue. **THE PARTIES HEREBY WAIVE TRIAL BY JURY WITH RESPECT TO ANY DISPUTE RELATING TO THIS AGREEMENT.** To the extent that the laws, rules, and regulations for U.S. Government procurement apply, then the laws commonly referred to as

U.S. Government contract law shall apply. The Parties shall use reasonable efforts to settle any dispute under this agreement including where appropriate referral to higher management for resolution.

11. Remedies: The Parties acknowledge that due to the unique nature of the Information, any actual or threatened breach of this Agreement may cause irreparable injury to the Disclosing Party, for which a remedy at law may be inadequate. Therefore, the Disclosing Party shall be entitled to seek equitable or injunctive relief, in addition to other remedies to which it may be entitled at law or equity. In any action for equitable relief, the Parties agree to waive any requirement for the posting of a bond or security.

12. Termination: This Agreement, unless extended by the Parties in writing, shall terminate at the end of the term specified in §3, provided however, that either Party may terminate this Agreement before that date by thirty (30) calendar days written notice to the other Party. No termination shall affect either Party's obligations and rights herein with respect to information disclosed prior to termination. Upon termination of this Agreement, the Receiving Party shall promptly (and in no event later than thirty (30) days after written request therefore) return to the Disclosing Party, all information embodied in writings, drawings, or the like including all copies thereof, submitted or made available by the Disclosing Party to the Receiving Party, its affiliates or subsidiaries or the Receiving Party shall certify as to the destruction thereof to the Disclosing Party. Notwithstanding such return, the Receiving Party and its respective agents and employees shall hold in confidence all Proprietary Information according to the terms of this Agreement.

13. Relationship to Related Contracts: If the Parties hereinafter enter into a contract that requires or permits use or disclosure of Proprietary Information disclosed pursuant to this Agreement, the terms of such contract requiring or permitting such use or disclosure shall to that extent, supersede the provisions of this Agreement.

14. Agreement:

- a. Entire Agreement: This Agreement sets forth the entire understanding between the Parties hereto relative to the disclosure of Proprietary Information covered by this Agreement, and supersedes all previous or contemporaneous understandings, commitments, or agreements, written or oral, regarding such information. The Agreement shall not be varied, except by an instrument in writing of subsequent date duly executed by an authorized representative of each Party. This Agreement shall apply in lieu of, and notwithstanding the language of, any specific legend or statement associated with any particular information or data exchanged, and the obligations of the Parties shall be determined exclusively by this Agreement.
- b. Execution: The Parties agree that this Agreement may be executed by fax, email, or similar electronic means and shall be as effective as and as binding as if the Agreement was executed with original signatures. The Parties also agree that this Agreement may be executed in duplicate, with each Party retaining one original.
- c. Waiver: Failure by either party hereto to enforce any of the provisions of this Agreement, or any right with respect thereto, or failure to exercise any election provided for herein, shall in no way be considered a waiver of such provisions, rights

or elections, or in any way affect the validity of this Agreement. The failure by either party hereto to enforce any of said provisions, rights or elections shall not prejudice such party from later enforcing or exercising same or any other provisions, rights or elections which it may have under this Agreement

- d. Invalid Terms: If, for any reason, any provision of this Agreement is determined to be illegal or otherwise invalid or unenforceable under applicable present or future laws or regulations, that provision shall be deemed not to be a part of this Agreement, and so much of the remainder of this Agreement as shall otherwise remain intelligible shall be given full force and effect and shall bind the Parties.
- e. Assignment: Neither Party shall assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the other Party, which shall not be unreasonably withheld. Except as provided hereafter, any attempted assignment or transfer by any Party, or occurring by virtue of the purported operation of law, shall be void. A change of corporate name by a Party, merger or other corporate reorganization (provided that the Party remains the surviving entity) or the sale by a Party of all or substantially all of its assets shall not be deemed an assignment or transfer hereunder.
- f. Specific Parties: This Agreement only binds the Parties named hereto. It is not intended and does not bind any other entity owned in whole or in part by of L-3 Communications Corporation, including, but not limited to subsidiaries, affiliated companies, joint ventures, or corporations.

UNDERSTOOD & ACCEPTED
L-3 [Division]

UNDERSTOOD & ACCEPTED
Company

BY: _____
NAME: _____
TITLE: _____
DATE: _____

BY: _____
NAME: _____
TITLE: _____
DATE: _____

Confidential treatment has been requested with respect to the information contained with the [**] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New / Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/12	ETCS	Target Fee- Profit%	Special Pricing
L-3 STRATIS (from C2S2)	PO #70JME11002	Systems Engineering 2020 (SE2020)	6/13/2011	11/9/2012	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#70JME11003	Systems Engineering 2020 (SE2020)	6/27/2011	6/13/2013	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	P.O.70JME11031	Delivery Order 0027, US Africa Command (AFRICOM) Outreach support	11/28/2011	8/31/2012	International	Germany	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#90VDJ11048	Network Infrastructure Team Support (NITS) Operation Enduring Freedom (OEF) Afghanistan/GSA ALLIANT	3/1/2011	2/28/2013	International	Afghanistan	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	Subk# 3810-0415-15-STRATIS	Tactical Exploitation of National Capabilities (TENCAP)-N00014-04-D-0518	1/1/2008	4/13/2016	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	PO#11DP0324	National Level Exercise (NLE) 2012	10/3/2011	7/29/2012	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from MPRI)	PO#L3A-000003	United States European Command (USEUCOM) Joint Intelligence Operations Center Europe (JIOCEUR) Analytic Center (JAC) Analysis and Production Support (JAPS)	7/21/2011	7/20/2012	International	United Kingdom	L-3 MPRI	**	**	**	**	**	**	**	**	**
L-3 GSS (from MPRI)	MPRI-GSES-2010-001	Marine Security Enhancement Program	11/16/2009	5/1/2013	International	Republic of Equatorial Guinea (EG)	L-3 MPRI	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#POVDJ12023	Team Portable Collection System (TPCS)	11/21/2011	11/20/2014	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#70JME11024	SPAWAR DO 0038	9/26/2011	9/25/2012	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#70JME11025	SPAWAR DO 0039	9/26/2011	9/25/2012	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	PO#12MS0022	REGION 2 CAD Cyber Wkshop (RESP)	7/24/2010	8/14/2012	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 GSS (from GSES)	PO#12JB0012	SBINet Deposition Support (Jeff D'Heron providing support)	3/30/2012	9/30/2012	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New / Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/12	ETCS	Target Fee-Profit%	Special Pricing
L-3 GSS (from GSES)	PO#12JB0010	Automated Network Control Center Site Rep Support (John Kirby providing support)	9/30/2011	9/29/2012	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from MPRI)	N/A	GSA Schedule GS-07F-0838N; CDC BPA	12/1/2007	11/30/2012	Domestic	USA	L-3 MPRI	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from MPRI)	N/A	GSA Schedule GS-07F-0838N; CDC Biosurveillance Activity	2/20/2012	2/19/2013	Domestic	USA	L-3 MPRI	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	N/A	GSA Schedule GS-35F-4702G; DHHS TAGGS	3/8/2011	3/7/2016	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	N/A	GSA Schedule GS-35F-4702G; National Mediation Board (NMB)	11/30/2005	9/30/2015	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	N/A	GSA Schedule GS-35F-4702G; RANGE	6/1/2009	5/31/2014	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from GSES)	N/A	GSA Schedule GS-35F-4702G; EWS S/W MAINTENANCE	8/18/2009	8/17/2014	Domestic	USA	L-3 GS&ES	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from LOTS)	N/A	Linguist Tracking System (LTS)	1/1/2011	12/31/2012	Domestic	USA	L-3 LOTS	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#70YDC121285	Systems Engineering 2020 (SE2020)	4/27/2011	4/6/2012	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	P.O.70JME11032	Delivery Order 0237, K5802 Outreach support	12/16/2011	3/16/2012	International	Germany	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#POVDJ10106	Team Portable Collection System (TPCS) PO000001	11/21/2010	11/20/2011	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#POVDJ11038	Team Portable Collection System (TPCS) PO000006	11/21/2010	11/20/2011	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (from C2S2)	PO#POVDJ10082	Mobile Electronic Warfare Support System (MEWSS) PO000002	11/21/2009	11/20/2011	Domestic	USA	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	PO#1SH0027	Chenega Repairs	1/1/2011	12/31/2011	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	800949300.700.ET	BD & Mktg. Supt.	4/12/2011	12/31/2011	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	BP0002009.200.300.759.ET	Eng. Supt.	4/12/2011	12/31/2011	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	800920901.1.900	QA Supt.	4/12/2011	12/31/2011 (extendable to 6/30/12)	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	2011-1742	STOS Proposal Supt.	6/15/2011	8/5/2011	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	2011-1750	RVSS Proposal Supt.	9/19/2011	7/1/2012	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	2011-1751	IFT Proposal Supt.	9/19/2011	7/1/2012	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (from GSES)	2011-1751	MCCC Proposal Supt.	10/17/2011	12/31/2011	Domestic	USA	GS&ES	**	**	**	**	**	**	**	**	**

*Confidential treatment has been requested with respect to the information contained with the [**] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission*

**MASTER SUPPLY AGREEMENT BETWEEN
L-3 COMMUNICATIONS CORPORATION
AND ENGILITY CORPORATION**

This **MASTER SUPPLY AGREEMENT** (“Agreement”) is made by and between L-3 Communications Corporation, a Delaware corporation with its principal office located at 600 Third Avenue, New York, New York, 10016 (“Buyer”) and Engility Corporation, a Delaware corporation with its principal office located at 3750 Centerview Drive, Chantilly, Virginia 20151 (“Seller”) (collectively the “Parties”).

WHEREAS, Buyer and Seller have entered into a Distribution Agreement, dated July 16, 2012 (“Distribution Agreement”), pursuant to which Buyer agrees to spinoff a portion of its businesses to Seller; and

WHEREAS, Buyer and Seller desire to have Seller provide certain goods and services to Buyer pursuant to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the Parties hereby agree as follows:

1.0 DEFINITIONS

a. **Buyer** – means L-3 Communications Corporation and its affiliates, as applicable.

b. **Effective Date** – means the date this Agreement becomes fully binding and enforceable and shall be the same as the Effective Time.

c. **Existing Work** – means agreements for the sale of goods and services between Buyer and Seller that exist as of the Effective Date and which are set forth in Appendix A hereto (including any post-acceptance, contractual obligations/rights arising from such agreements). The agreements for Existing Work are in the form of L-3 inter-divisional work authorizations (“IDWA”), general ledger transfer arrangements, GSA schedule orders, and purchase orders or subcontracts between Buyer and Seller.

d. **Inter-Divisional Work Authorizations (“IDWA”)** – means an agreement between Buyer and Seller covering the sale of goods and/or services which, generally, details the scope, pricing and other terms and conditions of such agreement.

e. **New Work** – means any contemplated agreement for the sale of the goods and services between Buyer and Seller which is not a part of the Existing Work and which is a Teaming Commitment.

f. **Seller** – means Engility Corporation and its affiliates, as applicable.

g. **Teaming Agreement** – means the agreement, substantially in the form of Appendix D hereto, which provides, in part, a binding commitment between Buyer and Seller to either, exclusively or non-exclusively, pursue the capture of certain programs contemplated to be awarded by Buyer’s customers.

h. **Teaming Commitment** – means each of the business pursuits expressly set forth in Appendix C hereto, wherein the parties have agreed to enter, or have entered into, either an exclusive or non-exclusive teaming agreement (such exclusivity is as set forth within Appendix C) wherein the Parties have agreed to work together to capture a program/contract award from Buyer’s customer(s).

2.0 GOODS AND SERVICES

2.1. **General**. Subject to the terms and conditions of this Agreement, Buyer and Seller agree to the sale of goods and services for Existing Work and New Work and to enter into certain Teaming Commitments.

2.2. Terms and Conditions for Existing Work.

a. Within 30 days after the Effective Date, or such other period of time as the Parties may otherwise agree in writing, Buyer shall issue to Seller a purchase order, or an amendment thereto, for each of the Existing Work as set forth in Appendix A. The terms and conditions of such purchase order shall be based on: (i) the terms and conditions contained in the IDWA or other agreement for Existing Work between the Parties as of the Effective Time, (ii) the terms and conditions required to be flowed down from Buyer's prime contract, and (iii) this Agreement and any other terms and conditions mutually agreed to by the Parties. In the event the Parties do not agree on such other terms and conditions referred to in clause (iii) of the preceding sentence, the terms and conditions contained in the General Terms and Conditions of Purchase attached as Appendix B hereto will apply. The terms and conditions of Article 2.2 a (i) and 2.2 a (ii) above shall take precedence over the terms set forth in Appendix B.

b. In the event the U.S. Government is required to approve or consent to, and the U.S. Government does not approve or consent to, a second tier subcontract for Existing Work, there will be no further liability to the Buyer with respect to the Existing Work covered by the Government decision. Should this occur, the Parties agree to provide, in good faith, any required support.

c. The pricing for Existing Work shall be in accordance with paragraph 2.2 (a) above, the Federal Acquisition Regulations and any other applicable laws or regulations. In addition, for Existing Work set forth on Appendix E, which is Existing Work wherein, in respect of a particular order, Seller is performing all of the Existing Work and Buyer is not performing any of the Existing Work and, further, where Buyer is the selling party in the prime contract for such Existing Work, the pricing for such Existing Work shall require Seller to reimburse Buyer for any and all M&S (Material and Subcontract Handling) and G&A (General and Administrative) costs incurred by the Buyer, solely to the extent such costs cannot be passed along to the Buyer's customer. For Existing Work set forth in Appendix E, which is Existing Work wherein, in respect of a particular order, both Buyer and Seller are jointly performing the work, Buyer and Seller will share, in proportion to the profit negotiated for each party, respectively, any M&S and G&A costs which cannot be passed along to the Buyer's customer and are in excess of those Buyer and Seller normally would bear, but for the Distribution Agreement. Buyer and Seller shall have ninety (90) days from the Effective Date to complete Appendix E.

2.3. Terms and Conditions for New Work.

a. Buyer shall issue to Seller a purchase order for any New Work. The terms and conditions for New Work will be based on: (i) terms and conditions contained in a Teaming Agreement, if any, with respect to such New Work; (ii) the terms and conditions agreed to be flowed down from Buyer's prime contracts; (iii) this Agreement and any other terms and conditions mutually agreed to by the Parties; and (iv) in the event the Parties do not agree on such other terms and conditions referred to in Article 2.3 a (iii), the terms and conditions contained in the General Terms and Conditions of Purchase, attached as Appendix B hereto. The terms and conditions pursuant to Articles 2.3 a (i) and 2.3 a (ii) above shall take precedence over the terms set forth in Appendix B.

b. In the event the U.S. Government is required to approve and consent to, and the U.S. Government does not approve or consent to, a second tier subcontract for New Work, there will be no liability to the Buyer with respect to the New Work covered by such Government decision. Should this occur, the Parties agree to provide any required good faith support.

c. The pricing for New Work shall be in accordance with paragraph 2.3 (a) above, the Federal Acquisition Regulations and any other applicable laws or regulations.

2.4. Terms and Condition for Teaming Commitments.

a. Where the Parties have entered into a Teaming Agreement for a Teaming Commitment, the terms and conditions of such agreement shall govern the Teaming Commitment. With respect to all other Teaming Commitments, Buyer and Seller shall enter into a Teaming Agreement, substantially in the form of Appendix D within thirty (30) days of the Effective Date, or such other period of time as the Parties may otherwise agree in writing. Where a named party under a Teaming Agreement is an unincorporated division or subsidiary of either Buyer or Seller, Buyer and/or Seller, respectively, shall also be a party to such Teaming Agreement. Such Teaming Agreements shall be either non-exclusive or exclusive, as expressly set forth in Appendix C hereto provided, however, with respect to an exclusive teaming agreement, the exclusivity provision shall only apply to the named unincorporated division or subsidiary of each party.

3.0 TERM AND TERMINATION

3.1. This Agreement shall commence as of the Effective Date, and shall continue to be in effect until terminated as follows:

- a. With respect to any New Work or any Existing Work, upon completion of the Parties' respective obligations arising under the applicable purchase order;
- b. With respect to a Teaming Agreement, in accordance with its terms;
- c. With respect to the entire Agreement, on the last of the following to occur:
 - (i) completion of all of the Existing Work, New Work, the expiration of all Teaming Agreements, or five (5) years from the Effective Date.

3.2. This Agreement may be terminated in part for Cause with respect to any portion of the Existing Work, New Work, Teaming Commitment or Teaming Agreement by either Party by written notice to the other Party. For purposes of this Article 3.2, "Cause" shall mean:

- (i) A breach by the other party of any material covenant or agreement contained in this Agreement, and such breach is not remedied within thirty (30) days after written notice of such breach; or
- (ii) Any of the following:
 - (a) The filing of a voluntary petition in bankruptcy, insolvency, winding up, liquidation of, or other similar proceeding relating to the other Party;
 - (b) The appointment of a trustee, liquidator, custodian or similar person in a proceeding referred to in 3.2 (ii) (a), which appointment has not been set aside or stayed within sixty (60) days of such appointment;
 - (c) The making by a court having jurisdiction of an order winding up or otherwise confirming the bankruptcy or insolvency of the other Party, which order has not been set aside or stayed within sixty (60) days; or
 - (d) A breach by the other Party of any material provision contained in any purchase order or Teaming Agreement issued pursuant to this Agreement, and such breach is not remedied within thirty (30) days after written notice of such breach.

4.0 CONFIDENTIALITY

The Parties hereby incorporate by reference Section 11.03 of the Distribution Agreement and agree that any confidential information of either Party used in connection with this Agreement shall be deemed to be Information under that Section 11.03, and shall be subject to the terms thereof. Seller and Buyer shall be bound by the terms of Section 11.03 to the same extent as if those terms were set out herein in full. The Parties further agree to be bound by any additional non-disclosure or confidentiality agreements entered into between them in the future relating to purchase orders or agreements arising under this Agreement, and agree that confidential information of either Party used in connection with this Agreement shall be subject to the terms thereof.

5.0 LIMITATION OF LIABILITY

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE DISTRIBUTION AGREEMENT OR WITH RESPECT TO A BREACH OF ARTICLE 4 CONFIDENTIALITY OF THIS AGREEMENT, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR SPECIAL (INCLUDING PUNITIVE), INDIRECT, RELIANCE, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, OR FOR LOSS OF PROFITS OR LOSS OF USE DAMAGES, HOWEVER CAUSED AND UNDER ANY THEORY OF LIABILITY, WHETHER BASED IN CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHERWISE, ARISING OUT OF OR RELATED TO THE PERFORMANCE OR BREACH OF THIS AGREEMENT OR ANYTHING DONE IN CONNECTION THEREWITH. THE FOREGOING LIMITATIONS SHALL APPLY REGARDLESS OF WHETHER THE PARTY AGAINST WHOM LIABILITY IS ASSERTED HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

6.0 OUTSTANDING BIDS

In the event that, as of the Effective Date, the Seller has furnished any proposals to Buyer, Seller agrees that if such proposal is later accepted by Buyer, Seller will honor such proposal in accordance with its terms and the terms of this Agreement.

7.0 COMMUNICATIONS

7.1. Management Team. The relationship between the Parties under this Agreement shall be monitored and reviewed by a management team of senior managers representing each Party who shall meet as necessary at mutually agreed dates and times. The agenda for such meetings will address the following and other appropriate items:

- a. Status of ongoing production or service activities arising from this Agreement;
- b. Seller capacity changes and plans in connection with its obligations under this Agreement;
- c. Seller technology developments and plans in connection with the Products supplied and Services performed pursuant to this Agreement; and
- d. Issues and action items.

7.2. Liaison. For and on behalf of each Party, the persons designated in Article 7.3 shall have respective liaison and general administration of the Agreement for such Party.

7.3. Notices. All notices, requests, instructions or other documents to be given hereunder shall be in writing or by written telecommunication and shall be deemed to have been duly given when received if in writing and delivered personally or by receipt confirmed overnight delivery service or certified mail or, to the extent that receipt is confirmed, when received by facsimile or other electronic transmission as follows:

a. If to Buyer:

L-3 Communications Corporation
600 3rd Avenue
New York, NY 10016
Attn: Steve Post
Senior Vice President General Counsel & Corporate Secretary

b. If to Seller:

Engility Corporation
3750 Centerview Drive
Chantilly, Virginia 20151
Attn: Tom Miiller
Senior Vice President, General Counsel, & Corporate Secretary

8.0 GOVERNING LAW

This Agreement and any action related thereto shall be governed, controlled, interpreted and defined by and under the laws of the State of New York, without regard to the conflicts of laws provisions thereof. The Parties specifically disclaim the UN Convention on Contracts for the International Sale of Goods and the Uniform Computer Information Transaction Act both of which are not applicable to this Agreement. The Parties agree that the exclusive venue for any action related to the dispute or interpretation of this Agreement shall be in the State or Federal courts located in New York County (Manhattan), New York, and each party irrevocably submits to the exclusive jurisdiction of each such court in any such action and waives any objection it may now or hereafter have to venue or personal jurisdiction in each such court. THE PARTIES HEREBY WAIVE TRIAL BY JURY WITH RESPECT TO ANY DISPUTE RELATING TO THIS AGREEMENT.

9.0 GENERAL PROVISIONS

- 9.1. Entire Agreement. This Agreement, including Appendices and the Distribution Agreement (including the other agreements attached as exhibits thereto) constitute the entire understanding between the Parties relating to the subject matter hereof and supersede all previous communications, representations, or agreements, either oral or written, with respect to the subject matter hereof, and no representation or statements of any kind made by any representative of Seller or Buyer which are not stated in this Agreement, shall be binding on Seller or Buyer.
- 9.2. Severability. Any provision of this Agreement that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement. To the extent any provision of this Agreement is determined to be prohibited or unenforceable, Seller and Buyer agree to use reasonable commercial efforts to substitute one or more valid, legal and enforceable provisions that, insofar as practicable, implement the purposes and intent of the prohibited or unenforceable provision.
- 9.3. Independent Contractors. The Parties hereto shall act in all matters pertaining to this Agreement as independent contractors and nothing contained herein and no action taken with respect to the provisions hereof shall constitute one Party to be the agent, partner or joint venturer of any other Party for any purpose whatsoever.
- 9.4. Amendments. This Agreement shall be modified only by an instrument in writing executed by duly authorized representatives of the Parties hereto.
- 9.5. Waivers. A waiver of breach, delay or failure to take action with respect to any previous default or failure by a Party to fulfill its obligations under this Agreement shall not be deemed to constitute a waiver of any other or subsequent default or failure by such Party to fulfill such obligations and shall not constitute or be construed as a continuing waiver and/or as a waiver of other subsequent defaults or breaches of the same or other (similar or otherwise) obligations or as a waiver of any remedy available.
- 9.6. Headings and Defined Terms. The article headings and section captions of this Agreement are inserted for convenience only, and shall not be deemed to constitute part thereof or to affect the construction thereof. Capitalized terms not otherwise defined herein will have the meanings provided in the Distribution Agreement.
- 9.7. Construction. The language used in this Agreement will be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction will be applied against any part.
- 9.8. Survival. The terms and conditions of this Agreement which, when by their natural application operate after the termination or expiration hereof, shall survive any such expiration or termination.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date written below.

L-3 COMMUNICATIONS CORPORATION

By: /s/ Steven M. Post
Name: Steven M. Post
Title: Senior Vice President

Dated: July 16, 2012

ENGLITY CORPORATION

By: /s/ Thomas O. Miiller
Name: Thomas O. Miiller
Title: Senior Vice President and General Counsel

Dated: July 16, 2012

Confidential treatment has been requested with respect to the information contained with the [**] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/2012	ETCS	Target Fee- Profit%	Option Periods Included
Link Simulation & Training (to C2S2)	Not assigned yet	OMNIBUS Contract (STOC II). This a Multiple Award vehicle with requirements released as required by the customer. We do not currently have any delivery orders under this IDIQ contract where C2S2 is a subcontractor to us (IDWA).	10/1/2009	9/30/2018	Domestic	USA	PEO-STRI	**	**	**	**	**	**	**	**	**
L-3/D.P. Associates Inc.(to C2S2)	5017-16	A/C Structures Training (Welding Instruction)	12/15/2008	12/15/2012	Domestic	US	NAVAIR	**	**	**	**	**	**	**	**	**
Link Simulation & Training (to GSES)	Not assigned yet	OMNIBUS Contract (STOC II). This a Multiple Award vehicle with requirements released as required by the customer. We do not currently have any delivery orders under this IDIQ contract where GSES is a subcontractor to us (IDWA).	10/1/2009	9/30/2018	Domestic	USA	PEO-STRI	**	**	**	**	**	**	**	**	**
Link Simulation & Training (to MPRI)	Not assigned yet	OMNIBUS Contract (STOC II). This a Multiple Award vehicle with requirements released as required by the customer. We do not currently have any delivery orders under this IDIQ contract where MPRI is a subcontractor to us (IDWA).	10/1/2009	9/30/2018	Domestic	USA	PEO-STRI	**	**	**	**	**	**	**	**	**
L-3 MID (To C2S2)	4200243824	FY11 E-18 Emergency Support	10/18/2011	28-Dec-11	Domestic	USA	USAF/AFMC	**	**	**	**	**	**	**	**	**
L-3 MID (To C2S2)	4500614153	Rivet Joint Datalink Modernization	3/16/2010	2-Jan-12	Domestic	USA	USAF/AFMC	**	**	**	**	**	**	**	**	**
L-3/IS - PID (to C2S2)	4900041736	Compass Call	3/24/2011	3/23/2012	Domestic	USA	USAF	**	**	**	**	**	**	**	**	**
L-3/IS - PID (to C2S2)	4900043436	Compass Call	6/2/2011	2/2/2012	Domestic	USA	USAF	**	**	**	**	**	**	**	**	**

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/2012	ETCS	Target Fee-Profit%	Option Periods Included
L-3 TCS (to GSES)	Purchase Order #11SH0167 under Subcontract SL07065	505th Task (providing trainers to AFSOC)	11/26/2007	9/25/2012	Domestic	USA	USAF	**	**	**	**	**	**	**	**	**
L-3 Vertex Systems Field Support (To GSES)	L-3 Vertex P.O. # 4500431316	Contract Field Support (CFS)	8/15/2008	8/14/2013	Domestic	USA	ACC/A30, Ryan Center Occupants (Langley)	**	**	**	**	**	**	**	**	**
L-3 PID (to C2S2)	S7600-2-KONI2071310290	Compass Call on call software upgrades support	7/13/2012	7/13/2013	Domestic	USA	USAF	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	2011-I-4-0011	Joint Deployable Intelligence Support Systems (JDISS) IV DO 12 - Engineering Technical Support (ETS)	12/1/2011	9/30/2012	Domestic	USA	Office of Naval Intelligence	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to MPRI)	2011-I-4-0007 TO 2	United States Air Force Europe-Advisory and Assistance Services (A&AS) II	7/2/2011	8/31/2014	International	Germany	United States Air Force Europe	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to MPRI)	2011-I-4-0006 TO 21	United States Air Force Europe-Advisory and Assistance Services (A&AS) II	7/2/2011	8/31/2014	International	Germany	United States Air Force Europe	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to MPRI)	ALLIANT1.005	Global Command and Control System (GCSS) Army	8/20/2010	8/19/2015	Domestic	USA	Army	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	Veteran Benefits Management System (VBMS) Phase 3 Development (ENCORE II)	5/22/2012	3/31/2014	Domestic	USA	SPAWAR	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	NASA HQ Logistics Support Services MOBIS Schedule GS-10F-0188M; TO # NNH08CD81D	8/18/2008	8/16/2013	Domestic	USA	NASA	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	2011-SC-4-0203	USFS Network & Radio Infrastructure Support Services GSA IT Schedule GS-35F-5396H; DO N10PS40117	11/1/2011	7/31/2013	Domestic	USA	United States Forest Service	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	IT Property Management and Inventory Support GSA IT Schedule GS-35F-5396H; DO GS09Q08DN0171	9/29/2008	9/30/2013	Domestic	USA	Army	FFP	**	**	**	**	**	**	**	**

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/2012	ETCS	Target Fee- Profit%	Option Periods Included
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111211600	10/1/2011	2/10/2013	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111212886	1/1/2012	5/18/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111212887	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213139	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213157	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213158	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213160	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213161	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/2012	ETCS	Target Fee-Profit%	Option Periods Included
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213162	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to GSES)	N/A	Coop Program Support, GSA Schedule GS-35F-5396H; DO N10PD40259	3/15/2010	3/14/2015	Domestic	USA	Dept of Interior	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to GSES)	800949300.700.S3.42	Publication of JWIST Training Manuals per contract requirements	12/31/2010	6/30/2012	Domestic	USA	SPAWAR	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to GSES)	00143080	ANSWER Langley AFB IT Services	4/1/2009	3/31/2014	Domestic	USA	Air Force	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to GSES)	ALLIANT1.0001	US Army Software Integration Lab for SEC-LEE	5/15/2010	5/14/2015	Domestic	USA	Army	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to GSES)	ALLIANT1.0002	Regional Automation Support Center (RASC)	7/4/2010	6/3/2015	Domestic	USA	Army	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to MPRI)	ALLIANT1.0004	Program Mgmt & Acquisition Mgmt for SEC-LEE	8/20/2010	8/19/2015	Domestic	USA	Army	**	**	**	**	**	**	**	**	**
L-3 GSS (to GSES)	PO # POMCE0006	Translation Services	5/31/2012	8/31/2012	International	Republic of Equatorial Guinea (EG)	L-3 GSS	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (to GSES)	180731S	JRDC	8/27/2011	1/31/12 (extendable to 2016)	Domestic	USA	MDA	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (to GSES)	980735S	JRDC	12/3/2009	1/31/12 (extendable to 2016)	Domestic	USA	MDA	**	**	**	**	**	**	**	**	**
L-3 Comm UK (to C2S2)	L-3 UK #	MTWS	4/4/2011	3/31/2012	International	UK	SCS and MOD	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (to GSES)	080727s.ET. (PO#180707s)	BD & Mktg. Supt.	1/1/2011	12/31/2011	Domestic	USA	E&TS	**	**	**	**	**	**	**	**	**
L-3 CS-W/E&TS (to GSES)	080728s.ET. (PO#180707s)	Publications	1/1/2011	12/31/2011	Domestic	USA	E&TS	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to MPRI)	ALLIANT1.006	Aeronautical Systems Center (ASC/XRA) - Simulation & Analysis Facility O&M And Event Support	2/1/2011	1/31/2012	Domestic	USA	GSA	**	**	**	**	**	**	**	**	**

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New/ Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/2012	ETCS	Target Fee- Profit%	Option Periods Included	
L-3 ESSCO	PO 120986	ERV					TCS is our customer, US Northcom is the end-user and materials are provided by L-3 C2S2	**	**	**	**	**	**	**	**	**	**
L-3 ESSCO	PO 120991	ERV	5/22/2012	9/22/2012	Domestic	USA	TCS is our customer, US Northcom is the end-user and materials are provided by L-3 C2S2	**	**	**	**	**	**	**	**	**	**
L-3 ESSCO	PO 12-0002626	ERV	5/21/2012	9/22/2012	Domestic	USA	Viatch is our customer, US Northcom is the end-user and materials are provided by L-3 C2S2	**	**	**	**	**	**	**	**	**	**
L-3 ESSCO	Pending	ERV	5/31/2012	10/19/2012	Domestic	USA	TCS is our customer, US Northcom is the end-user and materials are provided by L-3 C2S2	**	**	**	**	**	**	**	**	**	**
L-3 ESSCO			6/11/2012	12/11/2012	Domestic	USA	TCS is our customer, US Northcom is the end-user and materials are provided by L-3 C2S2	**	**	**	**	**	**	**	**	**	**

**GENERAL TERMS AND CONDITIONS
For Supply & Services Subcontracts**

This document, together with the attachments appended hereto constitutes the Terms and Conditions for the Subcontract between the parties, and acceptance is strictly limited to the terms and conditions contained herein. Additional or differing terms, conditions or limitations of liability proposed by Seller, whether in a quote, acceptance or delivery document shall have no effect unless accepted in writing by Buyer. Agreement by Seller to furnish the goods or services to these terms and conditions, or Seller's commencement of such performance or acceptance of payment shall constitute acceptance by Seller of these Terms and Conditions.

1. Definitions

Words, as employed in this Agreement, shall have their normally accepted meanings. The following terms shall have the described meaning:

- (a) "Buyer" shall mean the party identified as the Buyer in this Subcontract.
- (b) "Subcontract" shall mean the Purchase Order, Subcontract, or Contract, these General Terms and Conditions, and any special conditions appended hereto or documents incorporated herein.
- (c) "Goods" shall mean those Goods identified in this Subcontract, which may be changed, from time to time by the mutual written agreement of the parties.
- (d) "Services" shall mean those Services identified in this Subcontract, which may be changed, from time to time by the mutual written agreement of the parties.
- (e) "Seller" shall mean the party identified as the Seller in this Subcontract.
- (f) "Franchise Distributor" shall mean a Distributor with which the Original Component Manufacturer (OCM) or the Original Equipment Manufacturer (OEM) has a contractual agreement to buy, stock, re-package, sell, and/or distribute its products lines.
- (g) "Independent Distributor (Broker)" shall mean a Distributor that purchases parts with the intention to sell or redistribute them.

2. Price

The prices established by this Subcontract are firm fixed prices unless otherwise stated in the Subcontract.

3. Schedule and Delivery; Notice of Delay

Seller shall strictly adhere to all Subcontract schedules. Time is and shall remain of the essence in the performance of this Subcontract. Seller shall notify Buyer in writing immediately of any actual or potential delay to the performance of this Subcontract. Such notice shall include a revised schedule and shall not constitute a waiver to Buyer's rights and remedies hereunder.

4. New Materials; Packaging and Shipping

- (a) All goods to be delivered hereunder shall consist of new materials;
- (b) Seller shall prepare and package the goods to prevent damage or deterioration and shall use best commercial practice for packing and packaging of items to be delivered under this Subcontract, unless otherwise specified in the Subcontract;
- (c) Unless otherwise stated in the Subcontract, F.O.B. point shall be Destination (Incoterms 2010 DDP for International transactions);
- (d) **For Subcontractors, Contract Manufacturers, OEM's and Franchised Distributors** – Only new and authentic materials are to

be used in products delivered to Buyer. No counterfeit or suspect counterfeit parts (See 16b for a definition of Counterfeit Items) are to be contained within the delivered product. Parts shall be purchased directly from the OCMs/OEMs, or through the OCM/OEMs Franchised Distributor. Documentation must be available that authenticates traceability to the applicable OCM/OEM. Independent Distributors (Brokers) shall not be used without written consent from Buyer.

(e) **For Independent Distributors** – Independent Distributor's procedures shall meet the requirements of IDEA-STD-1010 & SAE AS5553 and have a Quality Management System certified to AS9120:2002. The original manufacturers Certificate of Conformance (C of C) and all traceability documentation shall be included with each shipment of parts. It shall include the manufacturer's name, part number, date codes, lot codes, serializations, and / or any other batch identifications. Seller is to contact Buyer in the event that the original OEM/OCM C of C and traceability documentation is not available. Inspections and tests required are as noted on the Subcontract. All inspecting and testing shall be performed to the original manufacturer's specifications and parameters. Recorded evidence of all testing performed shall be included with each shipment. If suspect/counterfeit parts are furnished under this Subcontract and are found in any of the Goods delivered hereunder, such items will be impounded by Buyer. The Seller shall promptly replace such suspect/counterfeit parts with parts acceptable to the Buyer and the Seller shall be liable for all costs relating to the removal and replacement of said parts as specified in the Subcontract requirements or Distributor's insurance policies. All occurrences of suspect and/or counterfeit parts will be immediately reported to the Buyer. Buyer reserves all contractual rights and remedies to address grievances and detrimental impacts caused by suspect/counterfeit parts."

5. Inspection and Acceptance

- (a) Buyer's final acceptance of Goods or Services is subject to Buyer's inspection within sixty (60) days after receipt at Buyer's facility or such other place as may be designated by Buyer, notwithstanding any payment or prior test or inspection.
- (b) Seller and its suppliers shall establish and maintain a quality control and inspection program as specified in the Subcontract. Subject to applicable national security regulations, Buyer and Buyer's representatives shall have the right of access, on a non-interference basis, to any area of Seller's or Seller's supply chain sub-tier premises where any part of the work is being performed. Seller shall flow this requirement down to its sub tier supply chain suppliers as a condition of this Subcontract. Seller shall, without additional costs to Buyer, provide all reasonable in-plant accommodations, facilities, and assistance for the safety and convenience of the Buyer and the Buyer's representatives in the performance of their duties.
- (c) Seller shall keep and maintain inspection, test and related records, which shall be available to Buyer or Buyer's representative. Seller shall allow copies to be made and shall furnish all information required by the Buyer or Buyer's representative.

GENERAL TERMS AND CONDITIONS
For Supply & Services Subcontracts

6. Rejection

If Seller delivers non-conforming Goods or Services, Buyer may, at its option and Seller's expense: (i) return the Goods for refund or credit; (ii) require Seller to promptly correct or replace the Goods or Services; (iii) correct the nonconformance; or (iv) obtain conforming Goods or Services from another source. Buyer shall specify the reason for any return or rejection of nonconforming Goods or Services and/or shall describe the action taken. Seller shall be liable for any increase in costs, including procurement costs attributable to Buyer's rejection of the non-conforming Goods or Services. If Buyer determines or has reason to believe that Goods provided contain suspect and/or counterfeit parts, Buyer shall provide Seller the appropriate notice, impound the suspect/counterfeit parts, and report all occurrences to ERAI and GIDEP.

7. Invoices

(a) Invoices may be mailed when Goods are shipped, but the time for payment shall not commence until Buyer's actual or scheduled receipt, whichever is later, of items at their destination or upon satisfactory completion of Services.

(b) Buyer shall promptly pay Seller the amount due within 45 days, except if identified elsewhere in the Subcontract, unless the invoiced amount is in dispute. Buyer may withhold payment for shortages and/or non-conforming Goods or Services. Buyer may entertain discounts on Goods for expedited payments.

8. Changes

(a) By written order, Buyer may from time to time direct changes for: (i) technical requirements; (ii) shipment or packing methods; (iii) place of delivery, inspection or acceptance; (iv) reasonable adjustments in quantities, delivery schedules or both; (v) amount of Buyer-furnished property; (vi) time of performance; (vii) place of performance; and, (viii) terms and conditions of this contract required to meet Buyer's obligations under Government prime contract or subcontract.

(b) If any such change causes an increase or decrease in the price or in the time required for its performance, Seller shall promptly notify Buyer thereof and assert its claim for equitable adjustment within thirty (30) days after the change is ordered, and an equitable adjustment shall be made. However, nothing in this provision shall excuse Seller from proceeding immediately with the directed change(s). Changes shall not be binding upon Buyer except when specifically confirmed in a written Subcontract or Change Order.

9. Force Majeure

The following events, and only the following events, shall constitute force majeure under this Subcontract: (a) acts of God or of a public enemy; (b) acts of Government; (c) fires; (d) floods; (e) epidemics; (f) quarantine restrictions; (g) strikes; (h) freight embargoes; and, (i) unusually severe weather. In each case, the failure to perform must be entirely beyond the control and without the fault or negligence of the Seller. Each party shall give the other immediate notice of any event that such party claims is a *Force Majeure* Condition that would prevent the party from performing its obligations hereunder, and of the cessation of the condition. A party's notice under this Section shall include the party's good faith estimate of the likely duration of the *Force Majeure* Condition.

10. Termination for Convenience

(a) Buyer may, by notice in writing, direct Seller to terminate work under this Subcontract, solely to the extent such work is terminated by Buyer's customer, and such termination shall not constitute

default. In such event, Buyer shall have all rights and obligations accruing to it either at law or in equity, including Buyer's rights to title and possession of the goods and materials paid for. Buyer may take immediate possession of all work so performed upon notice of termination.

(b) Seller shall immediately stop work and limit costs incurred on the terminated work.

(c) If such termination is for the convenience of the Buyer, Buyer, after deducting any amount(s) previously paid, shall reimburse Seller for the actual, reasonable, substantiated and allowable costs with the total amount to be paid by the Buyer being determined by negotiation.

11. Termination for Default

(a) Buyer may, by written Notice of Default to Seller, terminate this Subcontract in whole or in part if the Seller fails to: (i) deliver the Goods or to perform the Services within the time specified in this Subcontract or any extension; (ii) make progress, so as to endanger performance of this Subcontract; or, (iii) perform any of the other material provisions of this Subcontract, provided, however, in the event of either (ii) or (iii) Buyer has provided Seller with prior written notice of the failure and a reasonable opportunity to cure.

(b) Buyer may require Seller to transfer title and deliver to Buyer, in the manner and to the extent directed by Buyer, any partially completed Goods and raw material, parts, tools, dies, jigs, fixtures, plans, drawings, Services, information and contract rights (Materials) as Seller has produced or acquired for the performance of this Subcontract, including the assignment to Buyer of Seller's subcontracts. Seller further agrees to protect and preserve property in the possession of Seller in which Buyer has an interest. Payment for completed Goods delivered to and accepted by Buyer shall be at the Subcontract price. Payment for unfinished Goods or Services, which have been delivered to and accepted by Buyer and for the protection and preservation of property, shall be at a price determined in the same manner as provided in the Termination for Convenience provision hereof except that Seller shall not be entitled to profit. Buyer may withhold from Seller monies otherwise due Seller for completed Goods and/or Materials in such amounts as Buyer determines necessary to protect Buyer against loss due to outstanding liens or claims against said Goods and Materials.

(c) Seller shall promptly notify Buyer if Seller is the subject of any petition in bankruptcy. In the event of Seller's bankruptcy, Buyer may require Seller to post such financial assurance, as Buyer, in its sole discretion, deems necessary. Failure to post such financial assurance upon ten (10) days written notice shall constitute a default under this Subcontract. The rights and remedies of Buyer in this clause are in addition to any other rights and remedies provided by law or under this Subcontract.

**GENERAL TERMS AND CONDITIONS
For Supply & Services Subcontracts**

12. Compliance with Laws

(a) The parties shall comply with all applicable provisions of Federal, state, and local laws; ordinances and all lawful orders; rules, regulations. FAA, DOT and other transportation regulations and Hazard Communication Standards promulgated pursuant to the Occupational Health and Safety Act.

(b) The parties shall control the dissemination of and access to technical data, information and other items received under this Subcontract in accordance with U.S. export control laws and regulations.

(c) Export Control and Compliance.

If this order involves the delivery of products, software, technical data or services (which includes design, assembly, testing, repair, maintenance or modification to Buyer products or technologies) subject to United States export control laws and regulations Seller shall comply with all applicable U.S. export and re-export control laws and regulations and any local government export regulations.

- (1) ITAR Control and Compliance – Companies engaged in exporting or manufacturing (whether exporting or not) of defense articles or furnishing defense services are required to register with the Department of State, Directorate of Defense Trade Controls (“DDTC”) in accordance with ITAR 22 C.F.R. 122. Seller, by its offer and/or acceptance of this order, represents that it is registered with the DDTC. Proof of such registration will be promptly provided to Buyer upon request.
- (2) Non-U.S. Companies – Non-U.S. companies shall be registered as required under its local government export regulations. Canadian companies must be registered by the Canadian Federal or Provincial government authorities.
- (3) Seller shall maintain its registration throughout the complete period of performance of this order, including any warranty period, and shall immediately notify Buyer in the event that any such registration and/or other required authorization is revoked, expired or invalidated for any reason.
- (4) Seller’s failure to comply with the entirety of this Article shall be cause for default.

(d) Seller shall: (i) comply with the requirements of the Foreign Corrupt Practices Act, as amended, (FCPA) (15 U.S.C. §§78dd-1, *et. seq.*), regardless of whether Seller is within the jurisdiction of the United States; (ii) neither directly nor indirectly, pay, offer, give, or promise to pay or give, any portion of monies or anything of value received from Buyer to a non-U.S. public official or any person in violation of the FCPA and/or in violation of any applicable country laws relating to anti-corruption or anti-bribery; and, (iii) Seller hereby agrees not to interact with any government official, political party or public international organization on behalf of Buyer without the prior written permission of the Buyer’s Procurement Representative.

13. Standards of Business Ethics and Conduct

The Parties will conduct its business fairly, impartially, and in an ethical and proper manner. The Parties shall not engage in any personal, business or investment activity that may be defined as a conflict of interest, whether real or perceived. If a Party has cause to believe that the other Party or any employee or agent of the Party has behaved improperly or unethically under this contract, the Party is encouraged to exert reasonable effort to report such behavior when warranted.

14. Intellectual Property

(a) If this Subcontract is issued to support a prime contract between the Buyer and an agency of the United States Government and wherein said prime contract includes either FAR 52.227-13 or DFAR 252.227-7038 (hereinafter, “Government Prime Contract”), then:

- (1) Buyer and Seller agree that the resulting order will comply with the policies and procedures established by FAR 27.304-3(c) and agree that the resulting order shall include provisions consistent with the above referenced FAR or DFAR provisions relating to patent rights in inventions. Both parties further agree to comply with all other applicable government procurement regulations dealing with subcontractor rights in technical data, subject inventions, copyrights, software, and other intellectual property, including DFARS 252.227-7013 and DFARS 252.227-7014. Seller agrees to convey rights in software and data to the U.S. Government consistent with such applicable government procurement regulations; and
- (2) Seller agrees to grant to Buyer and to Buyer’s subcontractors and customers a limited, non-exclusive, non-transferable, paid-up worldwide license to use any and all intellectual property (whether domestic or foreign), including patents, copyrights, industrial designs and/or mask works owned or controlled by Seller at any time or licensed to Seller, provided such a sublicense does not conflict with any provisions of the license to the Seller (hereinafter, the “Seller’s Intellectual Property”) for the sole purpose of fulfilling Buyer’s obligations under the Government Prime Contract.

(b) If this Subcontract is issued for any purpose other than to support a Government Prime Contract, then:

- (1) Any work, writing, idea, discovery, improvement, invention (whether patentable or not) trade secret or intellectual property of any kind first made or conceived by Seller in the performance of this Subcontract or which is derived from the use of information supplied by Buyer (hereinafter, the “Foreground Intellectual Property”) shall be the property of the Buyer. Seller shall disclose promptly all such Foreground Intellectual Property to Buyer, and shall execute all necessary documents to perfect Buyer’s title thereto and to obtain and maintain effective protection thereof. Any work produced under this Subcontract is to be deemed a work-for-hire to the extent permitted by law, and, to the extent not so permitted, shall be assigned to, and shall be, the exclusive property of, the Buyer; and
- (2) Seller hereby grants to Buyer, and to Buyer’s subcontractors and customers, in connection with the use, offer for sale, or sale of products provided to or work being performed for Buyer, an irrevocable, non-exclusive, paid-up, worldwide license under any and all Seller’s Intellectual Property; and
- (3) Seller hereby grants to Buyer, and to Buyer’s subcontractors and customers, a perpetual, non-exclusive, paid-up, worldwide license to reproduce, distribute copies of, perform publicly, display publicly, or make derivative works from any software included in or provided with Goods or Services under this Subcontract (hereinafter, the “Software Documentation”) as reasonably required by Buyer in connection with Buyer’s testing or use of the Good or Service; and
- (4) Notwithstanding anything in the foregoing to the contrary, Seller shall in no way be restricted with regard to the use or disclosure of any information, designs or data which originated with Seller and Seller shall have the right (including necessary rights under any patents or copyrights assigned to Buyer) to use, disclose

GENERAL TERMS AND CONDITIONS
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and authorize others to use and disclose any such information, designs, and data which originated with it provided that no Proprietary Information received from Buyer is used or disclosed.

15. Proprietary Information and Rights

(a) Subject to 15(d) and Article 14, Intellectual Property, the Parties shall only share Proprietary Information under a particular Purchase Order pursuant to an existing Proprietary Information Agreement (PIA) [Ref: Insert PIA#];

(b) Unless otherwise agreed to in a subsequent writing or expressly set forth in this Subcontract and subject to Article 15d, all specifications, information, data, drawings, software and other items supplied to Buyer shall be disclosed to Buyer without any restrictive rights on a non-proprietary basis;

(c) Unless otherwise agreed to in a subsequent writing or expressly set forth in this Subcontract and subject to Article 15d, all specifications, information, data, drawings, software and other items which are: (i) supplied to Seller by Buyer; or, (ii) paid for by Buyer during the performance of this Subcontract shall be treated as proprietary to Buyer and shall not be disclosed to any third party without Buyer's express written consent. Seller agrees not to use any such furnished information except to perform this Subcontract; and,

(d) Applicable U.S. Government Procurement Regulations incorporated into this Subcontract shall take precedence over any conflicting provision of this Article 15 to the extent that such Regulations so require. The incorporation by reference of such U.S. Government Regulations dealing with Seller's rights in Technical Data, subject inventions, copyrights, software and similar intellectual property are not intended to, and shall not, unless otherwise required by applicable law, obviate or modify any greater rights which Seller may have previously granted to Buyer pursuant to prior agreements between the parties.

16. Goods Warranty

(a) Seller warrants the Goods delivered pursuant to this Subcontract, unless specifically stated otherwise in this Subcontract, shall (i) be new; (ii) be and only contain materials obtained directly from the OEM or an authorized OEM reseller or distributor (Note – Independent Distributors (Brokers) shall not be used by Seller without written consent from Buyer); (iii) not be or contain Counterfeit Items; (iv) contain only authentic, unaltered OEM labels and other markings; (v) have documentation made available upon request that authenticates traceability to the applicable OEM; and (vi) be free from defects in workmanship, materials, and design and be in accordance with all the requirements of this Subcontract. Seller further warrants that the performance of work and services shall conform with the requirements of this Subcontract. These warranties shall survive inspection, test, final acceptance and payment of Goods and Services;

(b) For purposes of this Section 16 Warranty, and Article 6 – Rejection, a “Counterfeit Item” is defined to include, but is not limited to, (i) an item that is an illegal or unauthorized copy or substitute of an OEM item; (ii) an item that does not contain the proper external or internal materials or components required by the OEM or that is not constructed in accordance with OEM specification; (iii) an item or component thereof that is used, refurbished or reclaimed but the Seller represents as being a new item; (iv) an item that has not successfully passed all OEM required testing, verification, screening and quality control but that Seller represents as having met or passed such requirements; or (v) an item with a label or other

marking intended, or reasonably likely, to mislead a reasonable person into believing a non-OEM item is a genuine OEM item when it is not;

(c) Seller warrants that any hardware, software, and firmware Goods delivered under this Subcontract to the extent reasonably possible: (i) do not contain any viruses, malicious code, Trojan horse, worm, time bomb, self-help code, back door, or other software code or routine designed to (a) damage, destroy, or alter any software or hardware; (b) reveal, damage, destroy, or alter any data; (c) disable any computer program automatically; or (d) permit unauthorized access to any software or hardware; and (ii) do not contain any 3rd party software (including software that may be considered free software or open source software) that (a) may require any software to be published, accessed or otherwise made available without the consent of Buyer or (b) may require distribution, copying or modification of any software free of charge;

(d) This warranty shall cover a period 12 months following delivery; and,

(e) Remedies shall be at Buyer's election, including those specified in Article 6 herein.

17. Services Warranty

Unless stated otherwise in the documents accompanying these terms and conditions, Seller shall warrant all Services against defects in performance for a period of one year following delivery. If this Subcontract includes the provision of Services, Seller warrants that it has and will maintain sufficient trained personnel to promptly and efficiently execute the Services contemplated under this Subcontract. Seller further warrants that the Services shall be performed to at least the standard of performance reasonably expected of similar service providers in Buyer's geographic region.

18. International Transactions

(a) Payment will be in United States dollars unless otherwise agreed to by specific reference in this Subcontract.

(b) When Buyer has identified an offset obligation directly related to the performance of this Subcontract in its solicitation or in relation to any properly enacted modification, and Seller's performance of this Subcontract generates offset credits which Buyer could use to satisfy that identified offset obligation, then Buyer shall have the right to such Seller offset credits. The Buyer shall have no rights to any other offset credits that may be generated by the Seller in connection with this Subcontract. The Seller agrees to provide all reasonably necessary information in such form as may be required to enable Buyer to obtain the aforementioned offset credits.

19. Indemnification

(a) Seller agrees to indemnify and save Buyer harmless from any loss, cost or expense claimed by third parties for property damage and bodily injury, including death, caused solely by the negligence or willful misconduct of Seller, its agents, employees or Seller's affiliates in connection with Seller's work under this Contract.

Buyer agrees to indemnify and save Seller harmless from any loss, cost or expense claimed by third parties for property damage and bodily injury, including death, caused solely by the negligence or willful misconduct of Buyer, its agents or employees in connection with Seller's work under this Contract.

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If the negligence or willful misconduct of both Seller and Buyer (or a person identified above for whom each is liable) is the sole cause of such damage or injury, the loss, cost or expenses shall be shared between Seller and Buyer in proportion to their relative degrees of negligence or willful misconduct and the right of indemnity shall apply for such proportion.

(b) Should Buyer's use, or use by its distributors, subcontractors or customers, of any Goods or Services purchased from Seller be enjoined, be threatened by injunction, or be the subject of any legal proceeding, Seller shall, at its sole cost and expense, either:

(i) substitute fully equivalent non-infringing Goods or Services; (ii) modify the Goods or Services so that they no longer infringe but remain fully equivalent in functionality; (iii) obtain for Buyer, its distributors, subcontractors or customers the right to continue using the Goods or Services; or, (iv) if none of the foregoing is possible, refund all amounts paid for the infringing Goods or Services.

(c) Seller shall without limitation as to time, defend, indemnify and hold Buyer harmless from all liens which may be asserted against property covered hereunder, including without limitation mechanic's liens or claims arising under Worker's Compensation or Occupational Disease laws and from all claims for injury to persons or property arising out of or related to such property unless the same are caused solely and directly by Buyer's negligence.

20. Buyer's Property

(a) All drawings, tools jigs, dies, fixtures, materials, and other property supplied or paid for by Buyer shall be and remain the property of Buyer; and if Seller fails to return such property upon Buyer's demand, Buyer shall have the right, upon reasonable notice, to enter Seller's premises and remove any such property at any time without being liable for trespasses or damages of any sort.

(b) All such items shall be used only in the performance of work under this Subcontract unless Buyer consents otherwise in writing.

(c) Seller shall have the obligation to maintain any and all property furnished by Buyer to Seller and all property to which Buyer acquires an interest by this Subcontract and shall be responsible for all loss or damage to said property except for normal wear and tear.

(d) Upon request, Seller shall provide Buyer with adequate proof of insurance against such risk of loss or damage.

(e) Seller shall clearly mark, maintain an inventory, and keep segregated or identifiable all of Buyer's property.

21. Insurance

If this Subcontract is for the performance of Services on Buyer's premises, or, Seller utilizes their own vehicles to deliver Goods to Buyer's facility, Seller shall maintain the following insurance in at least the minimum amounts stated herein.

Seller shall also maintain, and Seller shall cause its subcontractors to maintain, such general liability, property damage, employers' liability, and worker's compensation insurance, professional errors and omissions insurance, motor vehicle liability (personal injury and property damage) insurance and aviation liability as are maintained in their normal and ordinary course of business. Upon request by the Buyer, Seller shall provided certificates of insurance evidencing limits of not less than the following:

1. Commercial General Liability \$5,000,000 combined single limit per occurrence (including products/completed operations and contractual liability coverage)

2. Workers' Compensation Statutory for the jurisdiction where the work is to be performed, including Federal Acts if applicable Employers' Liability, \$1,000,000 each person/accident. In states where Workers' Compensation insurance is a monopolistic state-run system (e.g., Ohio, Washington, North Dakota, and Wyoming), Seller shall add Stop Gap Employers Liability with limits not less than \$500,000 each accident or disease. To the extent that any work to be performed is subject to the Jones Act, the Longshore and Harbor Workers Compensation Act, or the Defense Base Act, the Workers' Compensation policy must be endorsed to cover such liability under such Act.
3. Automobile Liability \$5,000,000 combined single limit per accident

Some or all of the following additional insurance coverages may be required, depending upon the nature of the work to be performed by the Subcontractor. Final determinations of insurance coverage requirements will be made based on the Subcontract's statement of work.

If Applicable:

- A. Professional Liability \$5,000,000 per claim
 1. Internet Liability and Network Protection (Cyberrisk) insurance with limits of at least \$2,500,000 each claim or wrongful act.
 2. Media Liability insurance with limits of at least \$2,500,000 each claim or wrongful act.
- B. Aviation Liability including products \$50,000,000 per occurrence (including aircraft products and completed operations and War, Hijacking and other perils (AVN 52D))
- C. Hangarkeepers' Liability \$50,000,000 per occurrence
- D. All Risk Property Insurance Replacement Value (covering property of Buyer or Buyer's customer in the care, custody or control of Seller and include Buyer as Loss Payee.
- E. Fidelity or Crime insurance covering employee dishonesty, including but not limited to dishonest acts of Seller, its employees, agents, subcontractors and anyone under Seller's supervision or control. The Seller shall be liable for money, securities or other property of Buyer. Seller shall include a client coverage endorsement written for limits of at least \$1,000,000 and shall include Buyer as Loss Payee.
- F. Environmental Insurance (Contractor's Pollution Liability) with limits of at least \$5,000,000 each occurrence, claim, or wrongful act and \$10,000,000 aggregate. The policy must include Buyer, its Affiliates, and their directors, officers, and employees as Additional Named Insureds. Seller shall provide a copy of the Additional Insured endorsement to Buyer. If required within the scope of Seller's work to be performed, the insurance required herein cannot exclude coverage for bodily injury, property damage, pollution or environmental harm resulting from or arising out of the work to be performed, asbestos, lead or silica-related claims, claims arising out of microbial matter or bacteria, testing, monitoring, measuring operations or laboratory analyses, or liability arising out of the operation of a treatment facility. The policy must contain a separation of insureds clause. If a motor vehicle is used in connection with the work to be performed, the Business Automobile Liability policy will include coverage at least as broad as Insurance Services Office (ISO) CA 99 48 and be endorsed to include Motor Carrier Act endorsement MCS 90.

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- G. Pollution Legal Liability with limits of at least \$3,000,000 each occurrence, claim, or wrongful act and \$6,000,000 aggregate

The above limits may be satisfied by any combination of both primary and excess limits. Seller shall arrange a waiver of subrogation for the above and with the exception of 2., B., C., shall name Buyer as an additional insured under each of the above policies and shall provide to Buyer, within fifteen (15) days of Buyer issuance of this subcontract, a Certificate of Insurance evidencing compliance with this section.

22. Release Of Information

Seller shall not publish any information developed under this Subcontract, nor disclose, confirm, or deny any details about the existence or subject matter of this Subcontract, or use Buyer's name in connection with Seller's sales promotion or publicity without prior written approval of the Buyer.

23. Disputes

The provisions of this Subcontract shall be interpreted in accordance with the laws of the State of New York without resort to said state's Conflict of Law rule, and in accordance with its fair meaning and not strictly against either party. Pending final resolution of a dispute hereunder, Seller shall proceed diligently with the performance of this Subcontract and in accordance with all the Terms and Conditions contained herein and with the Buyer's direction thereof. Buyer and Seller shall each bear its own costs of processing any dispute hereunder. In no event shall the Seller acquire any direct claim or direct course of action against the United States Government.

24. Assignments and Subcontracting

(a) Neither this Subcontract nor any interest herein nor claim hereunder may be transferred, novated, assigned or delegated by Seller; nor may all or substantially all of this Subcontract be further subcontracted by Seller without the prior written consent of Buyer. Lack of consent shall not be deemed as a waiver or otherwise relieve Seller of its obligations to comply fully with the requirements hereof.

(b) Notwithstanding the above, Seller may, without Buyer's consent, assign moneys due or to become due hereunder provided Buyer continues to have the right to exercise any and all of its rights hereunder, settle any and all claims arising out of, and enter into amendments to the Subcontract without notice to or consent of the assignee. Buyer shall be given prompt notice of any assignment. Amounts so assigned shall continue to be subject to any of Buyer's rights to set-off or recoupment under this Subcontract or at law.

(c) Either Party may assign this Subcontract to any successor in interest.

25. Government Contracts

For each Subcontract awarded in support of and charged to a U.S. Government Contract, Supplement 1 – U.S. Government Contract Provisions from the Federal Acquisition Regulation (FAR) [Buyer's Form CC009] and Supplement 2 – U.S. Government Contract Provisions from the Defense Federal Acquisition Regulation [Buyer's Form CC010] shall apply along with any other applicable flow-downs required by the Federal Acquisition Regulation (FAR) or the Defense Federal Acquisition Regulation Supplement (DFARS) or any other Federally published Supplement. All such appended FAR, DFARS, or other clauses are incorporated by reference as if set forth at length herein. The Seller shall ensure that all such applicable flow-down

clauses are included in each lower tier subcontract with Seller's suppliers.

26. Order of Precedence

In the event of a conflict between these Terms and Conditions and other portions of the Subcontract, the order of precedence shall be: (a) any typed provisions on the face of Buyer's Subcontract specifically modifying the terms of this Subcontract; (b) the terms and conditions set forth in that certain Master Supply Agreement executed between Buyer and Seller; (c) these Terms and Conditions; and, (d) any other provisions set forth in the Buyer's Subcontracts including any terms and conditions stated or referenced therein.

27. Independent Contractor Status

Seller is, and shall remain, an independent contractor during the performance of this Subcontract.

28. Communication with Buyer's Customer

Buyer shall be solely responsible for any and all communication with Buyer's customer regarding this or any related Subcontract.

29. Survivability

All of the provisions of this Subcontract shall survive the termination (whether for convenience or default), suspension or completion of this Subcontract unless they are clearly intended to apply only during the term of this Subcontract.

30. Audit Rights

Buyer reserves the right, to the extent required by applicable law or regulation to have U.S. Government representative audit Seller's records to assure compliance with the terms of this Subcontract. Seller shall make available all data reasonably requested by Buyer.

31. Taxes

Unless this Subcontract specifies otherwise, the price of this Subcontract includes, and Seller is liable for and shall pay, all taxes, impositions, charges and exactions imposed on or measured by this Subcontract except for applicable sales and use taxes that are separately stated on Seller's invoice. Prices shall not include any taxes, impositions, charges or exactions for which Buyer has furnished a valid exemption certificate or other evidence of exemption.

32. Electronic Transmissions

(a) The parties agree that if this Subcontract is transmitted electronically, neither party shall contest its validity, or any acknowledgment thereof, on the basis that this Subcontract or acknowledgment contains an electronic signature.

(b) Seller shall, at Buyer's request and Seller's expense, send and receive business transactions by electronic means using Web-based technologies. Such Web-based technologies for electronic transmissions may include a) email and (b) the Internet directly between Buyer and Seller.

33. Standards on Slavery and Human Trafficking in the Supply Chain

- (a) Suppliers – Pursuant to the California Transparency in Supply Chains Act and consistent with our commitment to excellence and corporate social responsibility, Buyer supports the eradication of human trafficking and slavery in supply chains around the world, including in our own. Buyer sets forth the following Company Standards that its suppliers must meet in order to do business with Buyer:
- Suppliers that provide goods or services to Buyer shall operate in full compliance with the laws of their respective countries and with all other applicable laws, rules and regulations.

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- Suppliers shall employ only workers who meet the applicable minimum legal age requirement for employment in the country or countries in which they are doing business.
- Suppliers shall not employ any prison, indentured or forced labor.
- Suppliers must comply with all applicable laws, regulations and industry standards on working hours and working conditions.
- Suppliers must certify that materials incorporated into goods provided to Buyer comply with the laws regarding slavery and human trafficking of the country or countries in which they are doing business.

(b) As a condition of doing business with Buyer, our suppliers must comply with these Company Standards. Buyer will continue to develop monitoring systems to assess and ensure compliance. If Buyer determines that a supplier has violated these Standards, Buyer may, in its discretion, either terminate the business relationship and/or require the supplier to implement a corrective action plan as a condition of future business.

34. LIMITATION OF LIABILITY

IN NO EVENT SHALL SELLER BE LIABLE FOR INDIRECT, SPECIAL, CONSEQUENTIAL, MULTIPLE OR PUNITIVE DAMAGES, OR ANY DAMAGE DEEMED TO BE OF AN INDIRECT OR CONSEQUENTIAL NATURE ARISING OUT OF OR RELATED TO ITS PERFORMANCE UNDER THE CONTRACT, WHETHER BASED UPON BREACH OF CONTRACT, WARRANTY, NEGLIGENCE AND WHETHER GROUNDED IN TORT, CONTRACT, CIVIL LAW OR OTHER THEORIES OF LIABILITY, INCLUDING STRICT LIABILITY, TO THE EXTENT THAT THIS LIMITATION OF LIABILITY CONFLICTS WITH ANY OTHER PROVISION(S) OF THIS CONTRACT, SAID PROVISION(S) SHALL BE REGARDED AS AMENDED TO WHATEVER EXTENT REQUIRED TO MAKE SUCH PROVISION(S) CONSISTENT WITH THIS PROVISION. IN NO EVENT SHALL THE TOTAL CUMULATIVE LIABILITY OF SELLER OR ITS SUBCONTRACTORS OR SUPPLIERS OF ANY TIER WHETHER IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY) OR OTHERWISE FOR THE PERFORMANCE OR BREACH OF THE CONTRACT OR ANYTHING DONE IN CONNECTION THEREWITH EXCEED THE CONTRACT PRICE. NOTWITHSTANDING ANYTHING ELSE IN THE CONTRACT TO THE CONTRARY, THE STATED MONETARY LIMITATION HEREINABOVE IS THE MAXIMUM LIABILITY SELLER HAS TO THE BUYER.

Confidential treatment has been requested with respect to the information contained with the [**] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
L-3 Space & Navigation (to LOTSD)	IPADS Training, Support, Spare Parts	Provide Field Service support, Spares and Translated Training Materials	11/1/2012	10/30/2015	Domestic - (International in terms of end user)	US FMS (customer = Iraq)	Raytheon Thales	**	**	**	**	**
L-3 Applied Technologies (to MPRI)	DTRA Cooperative Threat Reduction Integration Support Services (CTRIC-II)	DTRA Integration Support Services	TBD	TBD	Domestic	USA	Bechtel	**	**	**	**	**
L-3 Interstate Electronics (to GSES)	Weapons Security for Navy Strategic Programs	Integrating security systems and process for on-shore weapons storage	TBD	TBD	Domestic	USA	USN	**	**	**	**	**
L-3 Link Simulation & Training (to C2S2, GSES and MPRI)	OMNIBUS Contract (STOC II). This a Multiple Award vehicle with requirements released as required by the customer.	Army rotary craft training and simulation	10/1/2009	9/30/2018	Domestic	USA	PEO-STRI	**	**	**	**	**
L-3/IS - PID (to C2S2)	Compass Call	Software development in support of Big Safari Program	3/24/2011	3/23/2012	Domestic	USA	USAF	**	**	**	**	**
L-3 STRATIS (to C2S2)	Rapid Operational Multi-INT Omnibus (ROMO)	Provide C4ISR capabilities and software services to the NRO / Mission Support Directorate (MSD) / Systems Acquisition Office (SAO) for the DSGS-FoS, IC, DoD, and mission partners.	12/7/2011	TBD	Domestic	USA	NRO	**	**	**	**	**
L-3 STRATIS (to C2S2)	Global Tactical Advanced Communications Systems (GTACS)	Provide turn-key tactical integrated communications systems that support both commercial and global military operations.	6/2/2011	TBD	International	Various	Army	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
L-3 STRATIS (to LOTSD)	INSCOM Global Intelligence Services (GIS)	Provide qualified "fire-walled" personnel for both capture and execution of program	1/18/2012	TBD	Domestic	USA	Army	**	**	**	**	**
L-3 STRATIS / ASA (to C2S2)	Ballistic Missile Defense System (BMDS)	Provide hardware, software, technical support, training, and sustainment associated with ACCS TMD-1 IOC Phase 2 Increment 1	6/19/2012	TBD	International	United Kingdom	Thales Raytheon	**	**	**	**	**
L-3 STRATIS (to Engility)	VOLPE Transportation Information Project Support (V-TRIPS)	Provide Traffic Flow Management and Information Assurance support	3/31/2010	TBD	Domestic	USA	DOT	**	**	**	**	**
L-3 STRATIS (to MPRI)	INSCOM Global Intelligence Services (GIS)	Provide force management, force training, and mission support training excluding cyptologic language training	TBD	TBD	Domestic	USA	Army	**	**	**	**	**
L-3 STRATIS (to C2S2)	INSCOM Global Intelligence Services (GIS)	Provide Intelligence Security & Cyber Operations	5/25/2012	TBD	Domestic	USA	Army	**	**	**	**	**
L-3 STRATIS (to C2S2)	Communications and Transmissions Systems (CTS)	Provide an integrated approach that considers the life cycle of any given communications and/or transmissions system and its relationship with other communications and/or transmissions systems.	4/27/2012	TBD	International	Various	Army	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
L-3 STRATIS (to C2S2)	Agile Cyber Technologies (ACT)	Provide rapid cyber capability to include fielding and deployment to Air Force, Cyber Command, DOD, IC, DHS	9/21/2011	TBD	Domestic	USA	Air Force	**	**	**	**	**
L-3 STRATIS (to GSES)	Agile Cyber Technologies (ACT)	Provide rapid cyber capability to include fielding and deployment to Air Force, Cyber Command, DOD, IC, DHS	9/21/2011	TBD	Domestic	USA	Air Force	**	**	**	**	**
L-3 STRATIS (to C2S2)	NETCENTS II - NET OPS	Network Operations (NetOps), Infrastructure, and Service Oriented Architecture (SOA) implementation and transformation services and solutions to the United States AF (USAF) and Department of Defense (DoD) agencies at locations inside the contiguous United States (CONUS), outside the contiguous United States (OCONUS) and in war zone areas.	1/21/2009	TBD	International	Various	Air Force	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
L-3 STRATIS (to MPRI)	NETCENTS II - NET OPS	Network Operations (NetOps), Infrastructure, and Service Oriented Architecture (SOA) implementation and transformation services and solutions to the United States AF (USAF) and Department of Defense (DoD) agencies at locations inside the contiguous United States (CONUS), outside the contiguous United States (OCONUS) and in war zone areas.	2/15/2008	TBD	International	Various	Air Force	**	**	**	**	**
L-3 STRATIS (to GSES)	NETCENTS II - NET OPS	Network Operations (NetOps), Infrastructure, and Service Oriented Architecture (SOA) implementation and transformation services and solutions to the United States AF (USAF) and Department of Defense (DoD) agencies at locations inside the contiguous United States (CONUS), outside the contiguous United States (OCONUS) and in war zone areas.	2/13/2008	TBD	International	Various	Air Force	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
L-3 STRATIS (to C2S2)	NETCENTS II - Application Services	The NETCENTS-2 Application Services acquisition provides a vehicle for customers to access a wide range of services such as sustainment, migration, integration, training, help desk support, testing and operational support. Other services include, but are not limited to, exposing data from Authoritative Data Sources (ADS) to support web-services or Service Oriented Architecture (SOA) constructs in AF enterprise environments.	1/21/2009	TBD	International	Various	Air Force	**	**	**	**	**
L-3 STRATIS (to MPRI)	NETCENTS II - Application Services	The NETCENTS-2 Application Services acquisition provides a vehicle for customers to access a wide range of services such as sustainment, migration, integration, training, help desk support, testing and operational support. Other services include, but are not limited to, exposing data from Authoritative Data Sources (ADS) to support web-services or Service Oriented Architecture (SOA) constructs in AF enterprise environments.	2/15/2008	TBD	International	Various	Air Force	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
L-3 STRATIS (to GSES)	NETCENTS II - Application Services	The NETCENTS-2 Application Services acquisition provides a vehicle for customers to access a wide range of services such as sustainment, migration, integration, training, help desk support, testing and operational support. Other services include, but are not limited to, exposing data from Authoritative Data Sources (ADS) to support web-services or Service Oriented Architecture (SOA) constructs in AF enterprise environments.	2/13/2008	TBD	International	Various	Air Force	**	**	**	**	**
L-3 STRATIS (to GSES)	Enterprise Acquisition Gateway for Leading Edge (EAGLE) Solutions II	Provide the full range of IT services, technical and management expertise, and solution-related enabling products in one or more of the FCs to meet the mission needs of the DHS.	5/5/2010	TBD	Domestic	USA	DHS	**	**	**	**	**
L-3 STRATIS (to GSES)	MultiLingual Solutions (MLS) for SOCOM Language Training	Provide language training to Southern Combantant Command Special Operations at US & interational military sites	12/20/2010	TBD	Domestic / International	Various	SOCOM	**	**	**	**	**
L-3 STRATIS (to LOTSD)	MultiLingual Solutions (MLS) for SOCOM Language Training	Provide language training to Southern Combantant Command Special Operations at US & interational military sites	12/20/2010	TBD	Domestic / International	Various	MLS	**	**	**	**	**
L-3 STRATIS (to C2S2)	Reserve Component Automation System (RCAS)	Provide s/w and integrated systems services, maintenance of the RCAS	4/25/2012	TBD	Domestic	USA	Army	**	**	**	**	**
L-3 STRATIS (to C2S2)	Software, Networks, Information, Modeling, & Simulation (SNIM)	Systems acquisition, information assurance, IT	3/22/2011	TBD	Domestic	USA	DITEC, DoD	**	**	**	**	**

<u>L-3 Division</u>	<u>Program Name</u>	<u>Proposed Scope</u>	<u>Start Date</u>	<u>End Date</u>	<u>Internat'l/ Domestic</u>	<u>Country</u>	<u>Customer</u>	<u>Contract Category (New/ Follow-on)</u>	<u>Sole Source / Comp</u>	<u>Prime / Sub</u>	<u>Exclusivity</u>	<u>Exh A</u>
L-3 STRATIS (to MPRI)	Software, Networks, Information, Modeling, & Simulation (SNIM)	Modeling & Simulation	9/15/2010	TBD	Domestic	USA	DITEC, DoD	**	**	**	**	**
L-3 STRATIS (to MPRI)	CIO-SP 3	Provide health and biomedical-related IT services	2/22/2012	TBD	Domestic	USA	NIH	**	**	**	**	**
L-3 STRATIS (to GSES)	CIO-SP 3	Provide health and biomedical-related IT services	4/12/2010	TBD	Domestic	USA	NIH	**	**	**	**	**
L-3 STRATIS (to GSES)	Defense Intelligence Agency Solutions for Intelligence Analysis (DIA SIA) II	Provide worldwide coverage for intelligence analysis support services	8/26/2011	TBD	Domestic	USA	DIA	**	**	**	**	**
L-3 STRATIS (to LOTSD)	Defense Intelligence Agency Solutions for Intelligence Analysis (DIA SIA) II	Provide worldwide coverage for intelligence analysis support services	7/21/2011	TBD	Domestic	USA	DIA	**	**	**	**	**
L-3 GSS (to C2S2)	SPAWAR Infrastructure Protection Solutions (IPS)	Installation physical security solutions	2/22/2012	TBD	Domestic	USA	SPAWAR	**	**	**	**	**
L-3 GSS (to GSES)	Royal Saudi Air Force (RSAF) Air Operations Center (AOC)	Coursework development, training, exercises for weapons school training and safety programs	TBD	TBD	International	Saudi Arabia	RSAF	**	**	**	**	**

TEAMING AGREEMENT
BETWEEN

[DIVISION NAME] a Division of L-3

[COMPANY NAME]

[DIVISION ADDRESS]
[City, State Zip]

AND

[ADDRESS]
[City State, Zip]

This "Agreement" is made and entered into this day of , 2012 by and between [DIVISION NAME] ("Subcontractor"). Prime Contractor and Subcontractor are sometimes hereinafter referred to as "Team Member(s)."

("Prime Contractor") and [COMPANY NAME]

RECITALS

WHEREAS, the ("Customer") will issue or has issued a solicitation or requirement under which the Customer will request proposals for the provision of certain supplies and/or services to support the Subcontract with Options ("Program"); Note – Program needs to be clearly defined especially when a Program is either an IDIQ or a Base

WHEREAS, Prime Contractor intends to submit a proposal or proposals for the Program pursuant to this Agreement (hereinafter "Proposal");

WHEREAS, Subcontractor's products or services complement, supplement, or support the products or services of Prime Contractor's planned Proposal for the Program;

WHEREAS, Subcontractor shall provide the products and/or services stated in Exhibit A and Prime Contractor and/or its subcontractors shall be responsible for its products, services, and the remainder of the Program, including overall Program management;

WHEREAS, the Team Members, consistent with Federal and State laws governing restraint of trade and competition, believe that a cooperative and necessarily complementary effort between the two will result in an offer to the Customer that is the most advantageous combination of technical, managerial, and cost solutions, that is fully compliant with all laws, and that increases competition for the Program; and

WHEREAS, the Team Members, to this end, desire to enter into this Agreement to provide for the joint preparation of a Proposal in response to the Program.

NOW THEREFORE, in consideration of the premises, as well as the mutual obligations herein made and undertaken, the Team Members, intending to be legally bound, hereby covenant and agree as follows:

Section 1.
ALLOCATION OF RESPONSIBILITY; SUBMISSION OF PROPOSAL

1.1. The Prime Contractor shall take principal charge of preparing and submitting the Proposal in response to the Program and performing the work entailed in the resulting prime contract ("Prime Contract"). Subcontractor shall provide appropriate and high quality personnel and use its best efforts to prepare those technical portions of the Proposal relating to, and perform the work entailed in, the areas described in Exhibit A, subject to the direction of the Prime Contractor. Subcontractor shall assist in such additional responsibilities assigned by Prime Contractor by mutual agreement between the parties. In addition, the Subcontractor agrees to provide the products and services necessary for successfully supporting any benchmark, test, or other demonstration of its products or services called for by the Program.

1.2. The Subcontractor shall also prepare and submit a cost proposal for the work entailed in the areas described in Exhibit A. The cost or pricing data contained therein shall be broken down and provided in the time and manner prescribed by the Prime Contractor so as to enable it to comply fully with the evaluation and reporting requirements in the Program. The Proposal shall contain or be accompanied by accurate, current and complete pricing information in sufficient detail to permit costing of the Prime Contract and negotiation of the subcontract for the Exhibit A work. Nothing contained herein shall be construed to require the disclosure of proprietary cost or pricing data to the Prime Contractor. However, the Subcontractor does agree to make said proprietary data available to the Customer's auditors in accordance with applicable regulations.

1.3. The Team Members shall jointly develop cost targets for those portions of the Program to be performed by the Subcontractor so as to maximize the competitiveness of the Proposal. The Subcontractor agrees to propose costs that meet the agreed-upon targets.

1.4. The Subcontractor agrees to meet all deadlines reasonably imposed to meet the Proposal submission deadlines, or any amendments thereto, set forth in the Program.

1.5. The Prime Contractor will keep the Subcontractor fully advised of any change that may affect the Subcontractor's area of responsibility. The Prime Contractor, however, shall have the right to determine the final contents of the Proposal. If requested by the Prime Contractor, the Subcontractor will ensure the availability of appropriate high quality management and technical personnel to assist the Prime Contractor in any discussions and negotiations with the Customer. However, except as otherwise directed by the Prime Contractor, all communications with the Customer concerning the Program shall be through Prime Contractor.

1.6. The Proposal submitted to the Customer shall contain and identify the Subcontractor's contribution to the Proposal for the work identified as the Subcontractor's responsibility in Exhibit A hereto.

1.7. Team Members shall perform such additional effort subsequent to the submission of the Proposal as appears reasonable to obtain the Prime Contract.

1.8. Subcontractor hereby authorizes Prime Contractor to use Subcontractor's logos and trademarks to prepare the Proposal and to market Subcontractor's products or services under the Prime Contract. Prime Contractor agrees to use the logos and trademarks in accordance with any written policies or directions provided by Subcontractor to Prime Contractor.

Section 2. PARTICIPATION IN COMPETITIVE PROPOSALS

2.1. Select one of the clauses below in the alternative and delete the Gray text:

EXCLUSIVE: During the effective term of this Agreement, each Team Member agrees that it will not, directly or indirectly, in any manner, participate in any activity that is competitive to this Agreement, and that it will not compete independently, including the independent submission of a proposal to the Customer for the Program. However, this Agreement shall not preclude either party from bidding or contracting independently from the other on any other Government or industry program that may develop or arise in the general area of business related to this Agreement.

NON-EXCLUSIVE: Both Team Members may respond to the Program independently of the effort anticipated by this Agreement, including in combination with third parties. However, Team Members shall not use any data or information collected or received under this Agreement to further said efforts. In order to protect Proprietary Information, each party agrees to inform the other party where it elects or

earnestly contemplates working on the Program outside the scope of this Agreement. This Agreement shall not preclude either party from bidding or contracting independently from the other on any Government or industry program that may develop or arise in the general area of business related to this Agreement. Nor shall this Agreement preclude either Team Member from offering to sell, or selling, to others any supplies or services that it may regularly offer for sale, even though such supplies or services may be included in the Proposal.

Section 3.
AWARD OF SUBCONTRACT

3.1. In the event that the Prime Contractor is awarded the Prime Contract for this Program, each Team Member agrees to negotiate in good faith and proceed in a timely manner to execute a mutually acceptable subcontract for the work to be performed by the Subcontractor and identified in Exhibit A. Subcontractor acknowledges that unless otherwise agreed in Exhibit A, Prime Contractor may itself provide or may use other subcontractors to provide under the Program services or products that are similar to or compete with Subcontractor's product or services in Exhibit A.

3.2. The Team Members acknowledge that the subcontract, and any modifications thereto, may be subject to the consent or approval of the Customer. The Prime Contractor agrees to use all reasonable efforts to secure such consent or approval.

3.3. The subcontract shall include terms and conditions that are required to be flowed down by law, regulation or the Program, such other provisions as the Prime Contractor may reasonably require for the performance of its obligations under the Prime Contract, including but not limited to a termination for convenience and a changes clauses. The subcontract shall also include such other provisions upon which mutual agreement is reached.

3.4. The award of the subcontract contemplated under this Agreement is subject to all the following conditions:

- 3.4.1. Award of a Prime Contract to Prime Contractor;
- 3.4.2. Inclusion in the Prime Contract of subcontract requirements that are substantially similar to those proposed under this Agreement and the Program;
- 3.4.3. Furnishing by the Subcontractor to Prime Contractor all certifications, representations, and cost and pricing data or basis for exemptions as required by applicable law or regulation, by the Program, or by the Prime Contract;
- 3.4.4. Customer's specific approval of Subcontractor as a subcontractor, if required, which approval Prime Contractor shall make a good faith effort to obtain; and
- 3.4.5. Mutual agreement of the parties to the statement of work, financial terms, and contractual provisions.

3.5. Unless otherwise mutually agreed, the Team Members agree to negotiate in good faith a subcontract for the Prime Contract, with the understanding that any such subcontract shall be subject to changes based on Prime Contractor's final definitized Prime Contract.

Section 4.
LIMITATION OF RIGHT TO REIMBURSEMENT, PAYMENT, OR COMPENSATION

4.1. Each party to this Agreement will bear the respective costs, risks, and liabilities incurred by it as a result of its obligations and efforts under this Agreement. Therefore, neither the Prime Contractor nor the Subcontractor shall have any right to reimbursement, payment, or compensation of any kind from the other during the period prior to the execution of any resulting subcontract, between the Prime Contractor and the Subcontractor for the work described in this Agreement. Each party shall be responsible for its respective taxes, duties, tariffs, fees, imports, and other charges.

Section 5.
PROPRIETARY INFORMATION AND TECHNICAL DATA

5.1. Each Team Member agrees to handle the proprietary data ("Proprietary Information") of the other in accordance with the terms and conditions of the Proprietary Information Agreement (PIA) attached hereto as Exhibit B, and incorporated herein. Where the term of the PIA attached hereto will expire prior to the expiration of this Agreement, the Team Members agree that by incorporation herein, the term of the PIA shall extend until the termination of this Agreement, notwithstanding any earlier termination date set forth in the PIA.

5.2. Both Team Members confirm and agree that neither their consultants nor their employees shall be requested or otherwise encouraged to obtain or provide information of the Customer or any third party, which may not be legally disclosed, whether by reason of security classification or other legal restriction. Furthermore, each Team Member agrees not to knowingly accept or use any such information in any proposal developed under the Program.

5.3. Technical data exchanged hereunder may be subject to United States Export Control laws and regulations as currently enacted, or as subsequently modified. Accordingly, the parties shall strictly abide by all applicable U.S. Export Control laws and regulations governing the transfer, export, or re-export of technical data. Proprietary Information exchanged under this agreement may contain technical data that is categorized on either:

5.3.1. The United States Munitions List and, as such, subject to the International Traffic in Arms Regulations (ITAR, 22 C.F.R. §§120-130); or

5.3.2. The Commerce Control List, and as such, subject of the Export Administration Regulations (EAR, 15 C.F.R. §§730-774).

Accordingly, each party represents and warrants that it shall not transfer the other party's technical data directly or indirectly to any individual, employee, company, or other entity without first complying with all requirements of the ITAR, the EAR, and any other applicable export restrictions, including the requirement for obtaining any export license, if applicable. Further, any such disclosure shall not be without an express written notification to the originating party. Technical data that is controlled by the ITAR, EAR, or other applicable export restrictions shall not be released to foreign nationals, including foreign national employees, employees' companies, or other entities without first obtaining the appropriate export license or other approval from the U.S. Government. Where the U.S. Government amends the applicable rules, regulations, or laws controlling the export of technical data, Subcontractor agrees to comply with the rules, regulations, or laws as amended.

5.4. Notwithstanding anything to the contrary herein, Prime Contractor may use data furnished by Subcontractor hereunder in performing its obligations under this Agreement or the subcontract and may include the data in the Proposal. Where Subcontractor requests in writing that such data contain a restrictive legend, Prime Contractor shall mark such data with the restrictive legend provided in writing by Subcontractor but only to the extent U.S. Government regulations or laws permit the restrictive legend.

Section 6.
SOLICITATION OF EMPLOYEES

6.1. Each Team Member agrees that, during the period of this Agreement, the term of any resultant subcontract, and for six (6) months thereafter, each party agrees not to directly or indirectly solicit or hire the employees of the other party assigned to work in connection with this Agreement and the Program without the prior written approval of the other party. The parties further agree to include a

non-solicitation provision, similar to this provision, in any subcontract that results from this Agreement. However, neither party will be precluded from hiring any employee of the other party who responds to any public notice or advertisement of an employment opportunity unrelated to the Program.

Section 7.
ACCESS TO CLASSIFIED OR RESTRICTED INFORMATION

7.1. Notwithstanding anything to the contrary herein, access to or use of any information that is classified, limited access information, For Official Use Only information, or any other type of restricted access information shall be governed by the relevant regulations, laws, and agreements promulgated by the U.S. Government.

Section 8.
LIMITATIONS ON THE NATURE OF THE AGREEMENT

8.1. This Agreement does not constitute or create a joint venture, pooling arrangement, partnership, or formal business organization of any kind, other than a contractor team arrangement as set forth in FAR §9.601, and the rights and obligations of the parties shall be only those expressly set forth herein. Neither Team Member shall have authority to bind the other except to the extent authorized herein. Nothing herein shall be construed as providing for the sharing of profits or losses arising out of the effort of either of the Team Members. This Agreement only binds the parties named hereto. It is not intended and does not bind any other entity owned in whole or in part by of L-3 Communications Corporation, including, but not limited to subsidiaries, affiliated companies, joint ventures, or corporations.

Section 9.
RIGHTS IN INTELLECTUAL PROPERTY

9.1. Intellectual property shall remain the property of the originating party, and except as set specifically forth in this Agreement, nothing in this Agreement shall be interpreted as granting any right or license. In the event of joint inventions, discoveries, or development, the Team Members shall establish their respective rights by good faith negotiations between them taking into consideration their respective contributions. In this regard, it is recognized and agreed that the Team Members may be required to, and shall, grant licenses or other rights to the Customer to inventions, data, and information under such standard provisions which may be contained in the Prime Contract contemplated by this Agreement or required by law; provided, however, such licenses or other rights shall not exceed those required by the Prime Contract or by law. Neither Team Member shall take any action, or fail to take any required action, which prejudices the rights of the other Team Member in joint inventions, discoveries, or developments.

Section 10.
PUBLICITY

10.1. Any news release, public announcement, advertisement, or other publicity proposed for release by Subcontractor concerning the Program, either Team Member's efforts in connection with the Proposal, or any resulting Prime Contract or subcontract, will be subject to the good faith review and written approval of Prime Contractor prior to release.

Section 11.
DESIGNATION OF RESPONSIBLE INDIVIDUALS AND NOTICE

11.1. All notices, certificates, acknowledgments, and other reports hereunder, shall be in writing and shall be mailed by registered or certified mail, postage prepaid, sent by confirmed facsimile or telecopy, or otherwise delivered by hand, overnight courier or by messenger, addressed to the parties at the address set forth below in §11.2 or at such other address as a party shall have furnished to the other

party in writing. Each such notice or other communication shall be treated as effective or having been given when delivered if delivered personally, if sent by mail, at the earlier of its receipt or 96 hours after the same has been deposited in a regularly maintained receptacle for the deposit of mail, addressed and mailed as set forth above, or if by Email, upon sender receipt of electronic confirmation that recipient is in receipt of the email.

11.2. All communications relating to this Agreement shall be directed to the specific person designated to represent the Prime Contractor and the Subcontractor on this Program, as set forth below. Each Team Member shall appoint one Program and one contractual representative. These appointments shall be kept current during the period of this Agreement. Communications, which are not properly directed to the persons designated to represent the Prime Contractor and the Subcontractor, shall not be binding upon the Prime Contractor or the Subcontractor.

11.2.1. **For Prime Contractor:**

	<u>CONTRACTUAL</u>	<u>PROGRAM</u>
Name:		
Title:		
Email:		
Phone:		
Fax:		
Address:		
City, State, Zip:		

11.2.2. **For Subcontractor:**

	<u>CONTRACTUAL</u>	<u>PROGRAM</u>
Name:		
Title:		
Email:		
Phone:		
Fax:		
Address:		
City, State, Zip:		

**Section 12.
TERMINATION**

12.1. This Agreement shall automatically terminate effective upon the date of the happening or occurrence of any one of the following events or conditions:

- 12.1.1. Official Customer announcement or notice of the cancellation of the Program;
- 12.1.2. The receipt of written notice from the Customer that it will not award a contract for this Program to the Prime Contractor;
- 12.1.3. The receipt of official Customer notice that either the proposed Subcontractor or subcontract will not be approved under the Prime Contract, that substantial areas of the Subcontractor's proposed responsibility have been eliminated from the requirements, or that Prime Contractor must competitively procure Subcontractor's products or services and Subcontractor does not offer the best value pursuant to said competition;
- 12.1.4. Award of a subcontract by the Prime Contractor to the Subcontractor.

12.1.4.1 However, if a subcontract is awarded to the Subcontractor for a Program which contemplates multiple awards by way of delivery orders, task orders, etc., or any options, this Agreement shall remain in effect until all such future orders or options for

the Program have been awarded, unless this Agreement is otherwise terminated in its entirety upon the happening or occurrence of any one of the other events or conditions set forth in this §12.1;

- 12.1.5. Mutual agreement of the parties to terminate the Agreement;
- 12.1.6. [Optional Period – fill in] (#) year[s]] after the effective date of this Agreement, provided, however, if the Proposal has been submitted and is under evaluation by the Customer at the expiration of such period, this Agreement shall remain in effect unless this Agreement is otherwise terminated in its entirety upon the happening or occurrence of any one of the other events or conditions set forth in this §12.1;
- 12.1.7. A material breach by either Team Member of any of the provisions contained herein;
- 12.1.8. The filing by or against either Team Member in any court of competent jurisdiction of a petition in bankruptcy or insolvency, or for reorganization, or for the appointment of a receiver or trustee; or the making of an assignment for the benefit of creditors;
- 12.1.9. Prime Contractor elects in its sole discretion not to submit a Proposal in response to the Program;
- 12.1.10. Notification by the Customer or a good faith determination by Prime Contractor, that Subcontractor’s involvement creates an organizational conflict of interest (“OCI”), and Prime Contractor’s good faith determination that Subcontractor cannot sufficiently mitigate such OCI;
- 12.1.11. The Customer debars or suspends either party from contracting;
- 12.1.12. Failure of the parties to reach agreement on a subcontract within a reasonable time after the award of a Prime Contract; or
- 12.1.13. Delivery of past performance or evaluation data from Subcontractor that Prime Contractor reasonably determines to jeopardize the likelihood of an award of the Prime Contract.

12.2. Notwithstanding anything to the contrary in §12.1, where there is a protest against the award of a contract or the institution of any type of action or legal proceeding designed to challenge Customer’s award of a contract in this Program, this Agreement will not terminate until after there is a final decision, which has not been appealed, or cannot be appealed, on the protest or other legal action or proceeding.

12.3. If the Customer materially changes the Program’s content by adding or deleting work elements (e.g., adding the work being performed on one or more other programs) after the parties enter into this Agreement, the parties shall enter into good faith negotiations to modify this Agreement in light of such changes to the Program. If the parties fail to agree upon a modification to this Agreement within a reasonable time under the circumstances, either party may terminate this Agreement.

12.4. If this Agreement is terminated for any reason other than pursuant to §12.1.7, either party is free to pursue its individual technical approach in association with the successful contractor or a third party for the Program. Where this Agreement is terminated pursuant to §12.1.7 for material breach, only the non-breaching party is free to pursue its individual technical approach in association with the successful contractor or a third party for the Program.

12.5. All terms and conditions of this Agreement that by their nature are intended to survive termination, including but not limited to §§5, 6, 9, 10, 13, 14, 15, 16, 17, and Exhibit B, shall remain enforceable subsequent to termination.

Section 13.
LIMITED WARRANTY

13.1. Each Team Member warrants that it has the right to enter into this Agreement and can fully perform all obligations herein undertaken.

13.2. Each Team Member warrants that the data, information, and other material furnished to the other Team Member does not infringe any third-party rights in any U.S. patent, copyright, trademark, semiconductor mask, or trade secret.

13.3. Subcontractor warrants that any and all pricing data or pricing information provided for submission to the Customer is true, current, accurate, and complete. Subcontractor shall indemnify Prime Contractor for all losses and expenses that arise out of any breach of this warranty.

Section 14.
LIMITATION OF LIABILITY

14.1. Except for claims based on any infringement of proprietary rights, in no event shall either Team Member be liable to the other, as a result of the performance of this Agreement, for any loss of profits; any incidental, special, exemplary, or consequential damages; or any claims or demands brought against the other Team Member, even if such Team Member has been advised of the possibility of such damages.

Section 15.
APPLICABILITY OF STATE LAW

15.1. This Agreement shall be construed under the laws of the State of New York, except for the conflict of laws provisions, for all matters subject to state law. To the extent that the laws, rules, and regulations for U.S. Government procurement apply, then the laws commonly referred to as U.S. Government contract law shall apply.

15.2. All disputes arising out of or related to this Agreement will be subject to the exclusive jurisdiction and venue of the State of New York, and the parties hereby consent to such jurisdiction and venue. THE PARTIES HEREBY WAIVE TRIAL BY JURY WITH RESPECT TO ANY DISPUTE RELATING TO THIS AGREEMENT.

Section 16.
COMPLIANCE WITH LAWS AND REGULATIONS

16.1. Team Member agrees at all times to comply with all applicable Federal, State, and local laws, rules and regulations, including but not limited to, Executive Order 11246 as amended on Equal Opportunity, the Fair Labor Standards Act, the Walsh-Healy Public Contracts Act, the Foreign Corrupt Practices Act, and the Procurement Integrity Act.

**Section 17.
AGREEMENT**

17.1. Upon signing by their duly authorized representatives, this Agreement shall become a mutually binding agreement by and between Prime Contractor and Subcontractor. It shall not be varied, except by an instrument in writing of subsequent date duly executed by an authorized representative of each party.

17.2. This Agreement contains the entire agreement between the Team Members and supersedes any previous understandings, commitments, or agreements, oral or written, with respect to the Program, the Proposal, or any resulting subcontract or other work.

17.3. The parties agree that this Agreement may be executed by fax, facsimile, email, or similar electronic means and shall be as effective as and as binding as if the Agreement was executed with original signatures. The parties also agree that this Agreement may be executed in duplicate, with each party retaining one original.

17.4. The failure of either party at any time to require performance by the other party of any provision hereof, shall in no way effect the right of the party not requiring performance to enforce same. Nor shall waiver by said party of any breach of any provision hereof be taken or held to be a waiver of the provision itself.

17.5. If, for any reason, any provision of this Agreement is determined to be illegal or otherwise invalid or unenforceable under applicable present or future laws or regulations, that provision shall be deemed not to be a part of this Agreement, and so much of the remainder of this Agreement as shall otherwise remain intelligible shall be given full force and effect and shall bind the parties.

17.6. This Agreement may not be assigned or otherwise transferred, including by operation of law, by Subcontractor in whole or in part, without the express prior written consent of Prime Contractor.

IN WITNESS WHEREOF, each of the Team Members hereto has caused this Agreement to be executed by its duly authorized representative as of the day and year first above written.

PRIME CONTRACTOR

SUBCONTRACTOR

BY: _____
NAME: _____
TITLE: _____
DATE: _____

BY: _____
NAME: _____
TITLE: _____
DATE: _____

EXHIBIT A
STATEMENT OF WORK

- A.1 Subcontractor's Proposal Obligations
- A.2 Subcontractor' Prime Contract Obligations
- A.3 Work Share

PROPRIETARY INFORMATION AGREEMENT

Between

L-3 COMMUNICATIONS [insert Division name]

And

[COMPANY NAME]

This Agreement is made and entered into between [Division Name], a Division of L-3 [Fill in Corporate Entity] (“L-3”), having a place of business at [COMPANY NAME] having a place of business at [COMPANY ADDRESS] (“Company”). For purposes of this Agreement, a party to this Agreement is referred to individually as a “Party,” while collectively both parties are referred to as “Parties.” This Agreement applies to the exchange of technical, financial, competition-sensitive information, or other business sensitive information, some of which may be deemed to be Proprietary Information as hereinafter defined.

- 1. **Purpose:** The Parties desire to provide a mechanism and capability for the exchange of Proprietary Information for the purpose of [INSERT PURPOSE] (“Purpose”).
- 2. **Disclosure Period:** The duration of this Agreement during which either Party may furnish to the other relating to and for the Purpose shall be for a period of two (2) years from the effective date of this Agreement, unless otherwise extended by the Parties in writing (“Disclosure Period”).
- 3. **Term:** The term of the Agreement (including the Protection Period) shall begin on the date of disclosure and ending three years from the end of the Disclosure Period.
- 4. **Coordinators:** Coordinators for each Party shall supervise the disclosure of Proprietary Information. The Coordinators are identified below:

FOR L-3 [DIVISION]

FOR COMPANY

- Name:
- Title:
- Email:
- Phone:
- Fax:
- Address:
- City State Zip:

A Party may change its Coordinators by written notice to the other Party. However, all Proprietary Information, as hereinafter defined, exchanged under this Agreement shall be afforded the protection of this Agreement even if not furnished to the Coordinators listed above.

5. Proprietary Information:

- a. "Proprietary Information" shall be any and all business, technical and other information which is identified or labeled as "Proprietary" or "Confidential," whether written, oral or otherwise furnished by one Party (the "Disclosing Party") to the other Party (the "Receiving Party") and shall include, but not be limited to all data, reports, interpretations, forecasts and records which Receiving Party or its respective agents or employees shall have been furnished or had access to heretofore or hereafter in the course of the Parties' discussions. Proprietary Information shall also include information received as a result of plant tours, demonstrations or other visual or audio presentations or verbal disclosures that the Disclosing Party indicates in writing to the Receiving Party no later than thirty (30) business days after conveying such information that it is Proprietary Information.
- b. The foregoing shall not apply to:
- i. Information that at the time of disclosure had been previously published and available to the public;
 - ii. Information which is published after disclosure and available to the public, unless such publication is a breach of this Agreement;
 - iii. Information which, prior to disclosure hereunder was already in the possession of the Receiving Party as evidenced by records kept in the ordinary course of business or by proof of actual prior possession; and
 - iv. Information, which subsequent to disclosure hereunder, is obtained from a third person who (insofar as is known) is not in violation of any contractual, legal or fiduciary obligation with respect to such information.
- c. If any exception listed above in §5.b applies to only a portion of any confidential data, the remainder shall continue to be subject to the foregoing prohibitions and restrictions. Proprietary Information is not to be deemed to be in the public domain merely because any part of the Proprietary Information is embodied in a general disclosure or because individual features, components, or combinations thereof are now or become known to the public.

6. Restrictions: Each Party agrees that, during the term of this Agreement it shall: (a) use any Proprietary Information disclosed to it only for the Purpose stated above; (b) not disclose the Proprietary Information to any third party; (c) not disclose the Proprietary Information to any employee who does not have a need-to-know such information; and (d) employ the same standard of care it uses to protect its own Proprietary Information, paying particular attention to avoid disclosing Proprietary Information to employees or parties who may be or are also examining or participating in business opportunities competitive to the Purpose. In no case shall the standard of care with respect to the Proprietary Information be less than reasonable care.

The Receiving Party shall not be liable for inadvertent disclosure or use of information received hereunder if, upon discovery of such, it shall take reasonable steps to prevent any further inadvertent disclosure or unauthorized use. The Receiving Party may make disclosure pursuant to requirements of a solicitation anticipated by the Purpose of this Agreement, provided it is appropriately marked with restrictive legends. If the Receiving Party is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand, similar process or otherwise), to disclose any Proprietary Information, the Receiving Party shall provide the Disclosing

Party with prompt notice of such request(s) so that the Disclosing Party may seek an appropriate protective order and/or waive the Receiving Party's compliance with the provisions of this Agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder, the Receiving Party shall be, in the written opinion of its counsel, compelled to disclose Proprietary Information under pain of liability for contempt or other material censure or material penalty, the Receiving Party may disclose such information to such tribunal(s) without liability hereunder. In any event, the Receiving Party shall disclose only so much of the Proprietary Information as it is legally compelled to disclose, and will take reasonable steps to obtain assurances that any Proprietary Information it must disclose will be treated confidentially to the extent possible.

7. Compliance with Export Regulation and Similar Restrictions: All information, including Proprietary Information exchanged hereunder may be subject to restrictions on the exchange imposed by the United States Government. Such restrictions include, but are not limited to: the International Traffic in Arms Regulations (ITAR, 22 C.F.R. §§120-130), the Export Administration Regulations (EAR, 15 C.F.R. §§730-774), laws concerning the disclosure of classified information, and other laws and regulations restricting disclosure. Accordingly, the Parties agree to abide by all such applicable laws and regulations governing the transfer, export, or re-export of technical data, including all amendments thereto. Technical data that is controlled by the ITAR, EAR, or other applicable export restrictions shall not be released to foreign nationals, including foreign national employees of US companies, foreign companies, or other entities without first obtaining the appropriate export license or other approval from the U.S. Government.

8. Other Rights and Obligations: Except as expressly set forth herein, no license is either granted or implied in the Proprietary Information, patents, inventions, copyrights, or trademarks of either Party. Communications from either Party shall not be in violation of the proprietary rights of any third party. In the event of termination of this Agreement, the receiving Party shall at the option of the disclosing Party either promptly destroy the disclosing Party's Proprietary Information and certify its destruction, or promptly return it to the disclosing Party. Neither Party is required by this Agreement to disclose Proprietary Information to the other Party; all such disclosures are at the sole discretion of the Disclosing Party. This Agreement does not create any agency, partnership, or business relationship between the parties.

9. Warranties: Each Party warrants that it has the right to make the disclosures under this Agreement. Except as otherwise specifically provided in this Agreement, **NO OTHER WARRANTIES ARE MADE BY EITHER PARTY UNDER THIS AGREEMENT. ANY INFORMATION EXCHANGED UNDER THIS AGREEMENT IS PROVIDED "AS IS."**

10. Disputes and Governing Law: It is the intent of the Parties that this Agreement be construed, interpreted, and applied in accordance with the laws of the State of New York exclusive of its conflicts of law rules. All disputes arising out of or related to this Agreement will be subject to the exclusive jurisdiction and venue of the state and federal courts located in State of New York, and the parties hereby consent to such jurisdiction and venue. **THE PARTIES HEREBY WAIVE TRIAL BY JURY WITH RESPECT TO ANY DISPUTE RELATING TO THIS AGREEMENT.** To the extent that the laws, rules, and regulations for U.S. Government procurement apply, then the laws commonly referred to as

U.S. Government contract law shall apply. The Parties shall use reasonable efforts to settle any dispute under this agreement including where appropriate referral to higher management for resolution.

11. Remedies: The Parties acknowledge that due to the unique nature of the Information, any actual or threatened breach of this Agreement may cause irreparable injury to the Disclosing Party, for which a remedy at law may be inadequate. Therefore, the Disclosing Party shall be entitled to seek equitable or injunctive relief, in addition to other remedies to which it may be entitled at law or equity. In any action for equitable relief, the Parties agree to waive any requirement for the posting of a bond or security.

12. Termination: This Agreement, unless extended by the Parties in writing, shall terminate at the end of the term specified in §3, provided however, that either Party may terminate this Agreement before that date by thirty (30) calendar days written notice to the other Party. No termination shall affect either Party's obligations and rights herein with respect to information disclosed prior to termination. Upon termination of this Agreement, the Receiving Party shall promptly (and in no event later than thirty (30) days after written request therefore) return to the Disclosing Party, all information embodied in writings, drawings, or the like including all copies thereof, submitted or made available by the Disclosing Party to the Receiving Party, its affiliates or subsidiaries or the Receiving Party shall certify as to the destruction thereof to the Disclosing Party. Notwithstanding such return, the Receiving Party and its respective agents and employees shall hold in confidence all Proprietary Information according to the terms of this Agreement.

13. Relationship to Related Contracts: If the Parties hereinafter enter into a contract that requires or permits use or disclosure of Proprietary Information disclosed pursuant to this Agreement, the terms of such contract requiring or permitting such use or disclosure shall to that extent, supersede the provisions of this Agreement.

14. Agreement:

- a. Entire Agreement: This Agreement sets forth the entire understanding between the Parties hereto relative to the disclosure of Proprietary Information covered by this Agreement, and supersedes all previous or contemporaneous understandings, commitments, or agreements, written or oral, regarding such information. The Agreement shall not be varied, except by an instrument in writing of subsequent date duly executed by an authorized representative of each Party. This Agreement shall apply in lieu of, and notwithstanding the language of, any specific legend or statement associated with any particular information or data exchanged, and the obligations of the Parties shall be determined exclusively by this Agreement.
- b. Execution: The Parties agree that this Agreement may be executed by fax, email, or similar electronic means and shall be as effective as and as binding as if the Agreement was executed with original signatures. The Parties also agree that this Agreement may be executed in duplicate, with each Party retaining one original.
- c. Waiver: Failure by either party hereto to enforce any of the provisions of this Agreement, or any right with respect thereto, or failure to exercise any election provided for herein, shall in no way be considered a waiver of such provisions, rights

or elections, or in any way affect the validity of this Agreement. The failure by either party hereto to enforce any of said provisions, rights or elections shall not prejudice such party from later enforcing or exercising same or any other provisions, rights or elections which it may have under this Agreement

- d. **Invalid Terms:** If, for any reason, any provision of this Agreement is determined to be illegal or otherwise invalid or unenforceable under applicable present or future laws or regulations, that provision shall be deemed not to be a part of this Agreement, and so much of the remainder of this Agreement as shall otherwise remain intelligible shall be given full force and effect and shall bind the Parties.
- e. **Assignment:** Neither Party shall assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the other Party, which shall not be unreasonably withheld. Except as provided hereafter, any attempted assignment or transfer by any Party, or occurring by virtue of the purported operation of law, shall be void. A change of corporate name by a Party, merger or other corporate reorganization (provided that the Party remains the surviving entity) or the sale by a Party of all or substantially all of its assets shall not be deemed an assignment or transfer hereunder.
- f. **Specific Parties:** This Agreement only binds the Parties named hereto. It is not intended and does not bind any other entity owned in whole or in part by of L-3 Communications Corporation, including, but not limited to subsidiaries, affiliated companies, joint ventures, or corporations.

UNDERSTOOD & ACCEPTED

L-3 [Division]

BY: _____
NAME: _____
TITLE: _____
DATE: _____

UNDERSTOOD & ACCEPTED

Company

BY: _____
NAME: _____
TITLE: _____
DATE: _____

Confidential treatment has been requested with respect to the information contained with the [**] marking. Such portions have been omitted from this filing and have been filed separately with the Securities and Exchange Commission

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New / Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/12	ETCS	Target Fee-Profit%	Special Pricing
L-3 STRATIS (to C2S2)	2011-I-4-0011	Joint Deployable Intelligence Support Systems (JDISS) IV DO 12 - Engineering Technical Support (ETS)	12/1/2011	9/30/2012	Domestic	USA	Office of Naval Intelligence	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to MPRI)	2011-I-4-0007 TO 2	United States Air Force Europe-Advisory and Assistance Services (A&AS) II	7/2/2011	8/31/2014	International	Germany	United States Air Force Europe	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to MPRI)	2011-I-4-0006 TO 21	United States Air Force Europe-Advisory and Assistance Services (A&AS) II	7/2/2011	8/31/2014	International	Germany	United States Air Force Europe	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to MPRI)	ALLIANT1.005	Global Command and Control System (GCSS) Army	8/20/2010	8/19/2015	Domestic	USA	Army	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	Network Infrastructure Team Support (NITS) Operation Enduring Freedom (OEF) Afghanistan/GSA ALLIANT	3/1/2011	2/28/2013	International	Afghanistan	L-3 C2S2	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	2012-LC-4-0046	Veteran Benefits Management System (VBMS) Phase 3 Development (ENCORE II)	5/22/2012	3/31/2014	Domestic	USA	SPAWAR	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	NASA HQ Logistics Support Services MOBIS Schedule GS-10F-0188M; TO # NNH08CD81D	8/18/2008	8/16/2013	Domestic	USA	NASA	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	2011-SC-4-0203	USFS Network & Radio Infrastructure Support Services GSA IT Schedule GS-35F-5396H; DO N10PS40117	11/1/2011	7/31/2013	Domestic	USA	United States Forest Service	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	IT Property Management and Inventory Support GSA IT Schedule GS-35F-5396H; DO GS09Q08DN0171	9/29/2008	9/30/2013	Domestic	USA	Army	**	**	**	**	**	**	**	**	**

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New / Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/12	ETCS	Target Fee-Profit%	Special Pricing
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111211600	10/1/2011	2/10/2013	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111212886	1/1/2012	5/18/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111212887	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213139	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213157	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213158	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213160	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213161	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**

L-3 Division	IDWA#	Program Name	Start Date	End Date	Internat'l/ Domestic	Country	Customer	Contract Type	Contract Category (New / Follow-on)	Sole Source / Comp	Prime / Sub	Contract value	ITDS thru 5/25/12	ETCS	Target Fee- Profit%	Special Pricing
L-3 STRATIS (to C2S2)	N/A	New York Health & Hospital Corp Infrastructure Support GSA IT Schedule GS-35F-5396H; DO 1-0111213162	12/1/2011	6/30/2012	Domestic	USA	New York Health & Hospital Corp	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to GSES)	N/A	Department of Interior COOP GSA Schedule GS-35F-5396H; DO N10PD40259	3/15/2010	3/14/2015	Domestic	USA	Dept of Interior	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to GSES)	800949300.700.S3.42	Publication of JWIST Training Manuals per contract requirements	12/31/2010	6/30/2012	Domestic	USA	SPAWAR	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to GSES)	00143080	ANSWER Langley AFB IT Services	4/1/2009	3/31/2014	Domestic	USA	Air Force	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to GSES)	ALLIANT1.0001	US Army Software Integration Lab for SEC-LEE	5/15/2010	5/14/2015	Domestic	USA	Army	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to GSES)	ALLIANT1.0002	Regional Automation Support Center (RASC)	7/4/2010	6/3/2015	Domestic	USA	Army	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to MPR1)	ALLIANT1.0004	Program Mgmt & Acquisition Mgmt for SEC-LEE	8/20/2010	8/19/2015	Domestic	USA	Army	**	**	**	**	**	**	**	**	**
L-3 GSS (to GSES)	PO # POMCE0006	Translation Services	5/31/2012	8/31/2012	International	Republic of Equatorial Guinea (EG)	L-3 GSS	**	**	**	**	**	**	**	**	**
L-3 CS- W/E&TS (to GSES)	180731S	JRDC	8/27/2011	1/31/12 (extendable to 2016)	Domestic	USA	MDA	**	**	**	**	**	**	**	**	**
L-3 CS- W/E&TS (to GSES)	980735S	JRDC	12/3/2009	1/31/12 (extendable to 2016)	Domestic	USA	MDA	**	**	**	**	**	**	**	**	**
L-3 Comm UK (to C2S2)	L-3 UK #	MTWS	4/4/2011	3/31/2012	International	UK	SCS and MOD	**	**	**	**	**	**	**	**	**
L-3 CS- W/E&TS (to GSES)	080727s.ET. (PO#180707s)	BD & Mktg. Supt.	1/1/2011	12/31/2011	Domestic	USA	E&TS	**	**	**	**	**	**	**	**	**
L-3 CS- W/E&TS (to GSES)	080728s.ET (PO#180707s)	Publications	1/1/2011	12/31/2011	Domestic	USA	E&TS	**	**	**	**	**	**	**	**	**
L-3 STRATIS (to MPR1)	ALLIANT1.006	Aeronautical Systems Center (ASC/XRA) - Simulation & Analysis Facility O&M And Event Support	2/1/2011	1/31/2012	Domestic	USA	GSA	**	**	**	**	**	**	**	**	**

**L-3 Communications Holdings, Inc.
and L-3 Communications Corporation
Ratio of Earnings to Fixed Charges**

	Year-to- Date Ended September 28, 2012 <u>(\$ in millions)</u>
Earnings:	
Income from continuing operations before income taxes	\$ 847
Less: Net income from continuing operations attributable to noncontrolling interests	(3)
Income before income taxes after noncontrolling interests	\$ 844
Add:	
Interest expense	148
Amortization of debt expense	4
Interest component of rent expense	40
Earnings	<u>\$ 1,036</u>
Fixed charges:	
Interest expense	148
Amortization of debt expense	4
Interest component of rent expense	40
Fixed charges	<u>\$ 192</u>
Ratio of earnings to fixed charges	<u>5.4x</u>

CERTIFICATION

I, Michael T. Strianese, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended September 28, 2012 of L-3 Communications Holdings, Inc. and L-3 Communications Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;
4. The registrants' other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the registrants' most recent fiscal quarter (the registrants' fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrants' internal control over financial reporting; and
5. The registrants' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrants' ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Date: November 5, 2012

/s/ Michael T. Strianese

Michael T. Strianese

Chairman, President and Chief Executive Officer

CERTIFICATION

I, Ralph G. D'Ambrosio, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended September 28, 2012 of L-3 Communications Holdings, Inc. and L-3 Communications Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrants as of, and for, the periods presented in this report;
4. The registrants' other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrants and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrants, including their consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrants' disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrants' internal control over financial reporting that occurred during the registrants' most recent fiscal quarter (the registrants' fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrants' internal control over financial reporting; and
5. The registrants' other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrants' auditors and the audit committee of the registrants' board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrants' ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrants' internal control over financial reporting.

Date: November 5, 2012

/s/ Ralph G. D'Ambrosio

Ralph G. D'Ambrosio

Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of L-3 Communications Holdings, Inc. ("L-3 Holdings") and L-3 Communications Corporation ("L-3 Communications"; together with L-3 Holdings referred to as "L-3") on Form 10-Q for the quarter ended September 28, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael T. Strianese, Chairman, President and Chief Executive Officer and Ralph G. D'Ambrosio, Senior Vice President and Chief Financial Officer, in each case, of L-3 Holdings and L-3 Communications, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of L-3.

Date: November 5, 2012

/s/ Michael T. Strianese

Michael T. Strianese

Chairman, President and Chief Executive Officer

/s/ Ralph G. D'Ambrosio

Ralph G. D'Ambrosio

Senior Vice President and Chief Financial Officer