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such Lien shall not apply to any other property of the Borrower or any Subsidiary (other than after acquired title in or on such property and proceeds of the existing collateral in accordance with the instrument creating such Lien) and (y) such Liens secure only Indebtedness (including Capital Lease Obligations) permitted by Section 7.03(e);

(j) Liens on the property or assets of a Person which becomes a Subsidiary after the Closing Date, provided that (i) such Liens existed at the time such Person became a Subsidiary and were not created in anticipation thereof, (ii) any such Lien is not expanded to cover any property or assets of such Person after the time such Person becomes a Subsidiary (other than after acquired title in or on such property and proceeds of the existing collateral in accordance with the instrument creating such Lien), (iii) the amount of the obligations secured thereby is not increased (assuming that any unfunded commitments in respect thereof have been fully funded) and (iv) such Liens secure only Indebtedness permitted by Section 7.03(h);

(k) Liens on property and assets securing obligations assumed by the Borrower or a Subsidiary in connection with a Permitted Acquisition of such property or assets, provided that (i) such Liens existed at the time of such Permitted Acquisition and were not created in anticipation thereof, (ii) any such Lien is not expanded to cover any other property or assets (other than after-acquired title in or on the property or assets acquired and proceeds of the existing collateral in accordance with the instrument creating such Lien) and (iii) the amount of obligations secured by such Liens is not increased (assuming that any unfunded commitments in respect thereof have been fully funded);

(l) Liens on the property of the Borrower or any of its Subsidiaries in favor of landlords securing licenses, subleases or leases entered into in the ordinary course of business;

(m) non-exclusive licenses, leases or subleases not prohibited hereunder granted to other Persons in the ordinary course of business consistent with past practice and not interfering in any material respect in the business of the Borrower or any of its Subsidiaries;

(n) Liens arising from precautionary Uniform Commercial Code financing statement filings with respect to operating leases or consignment arrangements entered into by the Borrower, or any of its subsidiaries in the ordinary course of business;

(o) Liens in favor of a banking institution arising by operation of law encumbering deposits (including the right of set off) held by such banking institutions incurred in the ordinary course of business and which are within the general parameters customary in the banking industry;

(p) Liens securing obligations in respect of trade letters of credit covering the goods (or the documents of title in respect of such goods) financed by such trade letters of credit and the proceeds and products thereof;

(q) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(r) Liens securing Synthetic Lease Obligations incurred to finance the acquisition, construction or improvement of any fixed or capital assets acquired by the Borrower or any Subsidiary after the Closing Date; provided that such Liens secure only Indebtedness permitted by Section 7.03(g);

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(s) Liens on Equity Interests of a Person being acquired by the Borrower or any Subsidiary as security for such purchaser's deferred payment obligations with respect thereto;

(t) Liens (not otherwise permitted hereunder) which secure obligations in an aggregate amount at any time outstanding not to exceed \$15,000,000; and

(u) Liens referred to in paragraphs (i), (j), (k) and (r) of this Section 7.01 with respect to extensions, renewals and replacements of obligations secured thereby, provided that any such extension, renewal or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed or replaced (other than after acquired title in or on such property or assets and proceeds of the existing collateral in accordance with the instrument creating such Lien) and that the obligations secured by any such extension, renewal or replacement Lien shall be in an amount not greater than the amounts of the obligations secured by the Lien extended, renewed or replaced (assuming that any unfunded commitments in respect of such extended, renewed or replaced obligations have been fully funded).

**7.02 Investments.** Make any Investments, except:

(a) Investments held by the Borrower or such Subsidiary in the form of Cash Equivalents;

(b) advances to officers, directors and employees of the Borrower and Subsidiaries (excluding any reimbursement obligations in the ordinary course of business in connection with "corporate credit cards") in an aggregate amount not to exceed \$5,000,000 at any time outstanding, for travel, entertainment, relocation and analogous ordinary business purposes;

(c) (i) Investments by the Borrower and its Subsidiaries in their respective Subsidiaries outstanding on the date hereof, (ii) additional Investments by the Borrower and its Subsidiaries in Loan Parties (other than Holdings), (iii) additional Investments by Subsidiaries of the Borrower that are not Loan Parties in other Subsidiaries of the Borrower that are not Loan Parties and (iv) so long as no Default or Event of Default has occurred and is continuing or would result from such Investment, additional Investments by the Loan Parties in Subsidiaries that are not Loan Parties in an aggregate amount not to exceed, when combined with the amount of Investments made pursuant to Sections 7.02(h) and (j), Restricted Payments made pursuant to Section 7.06(h) and payments, prepayments, repurchases, redemptions, defeasances and segregations made pursuant to the proviso set forth in Section 7.13(a)(i)(2), \$30,000,000;

(d) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(e) Guarantees permitted by Section 7.03;

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(f) Investments existing on the date hereof (other than those referred to in Section 7.02(c)(i)) and set forth on Schedule 7.02;

(g) Permitted Acquisitions;

(h) Investments in joint ventures and minority interests in third parties by the Borrower or its Subsidiaries in an aggregate amount not to exceed, when combined with the amount of Investments made pursuant to Sections 7.02(c)(iv) and (j), Restricted Payments made pursuant to Section 7.06(h) and payments, prepayments, repurchases, redemptions, defeasances and segregations made pursuant to the proviso set forth in Section 7.13(a)(i)(2), \$30,000,000;

(i) so long as no Default or Event of Default has occurred and is continuing or would result from such Investments, Investments in an aggregate amount not to exceed the portion, if any, of the Available Basket Amount on the date of the making of such Investments that the Borrower elects to apply to this Section 7.02(i), provided that at the time of the making of any such Investment, the Consolidated Leverage Ratio (after giving pro forma effect thereto and to the incurrence or issuance of any Indebtedness in connection therewith) shall not exceed 2.50:1.00; and

(j) so long as no Default or Event of Default has occurred and is continuing or would result from such Investments, Investments (not otherwise permitted hereunder) so long as the aggregate amount of such Investments (determined without regard to any write-downs or write-offs of such Investments) does not exceed, when combined with the amount of Investments made pursuant to Sections 7.02(c)(iv) and (h), Restricted Payments made pursuant to Section 7.06(h) and payments, prepayments, repurchases, redemptions, defeasances and segregations made pursuant to the proviso set forth in Section 7.13(a)(i)(2), \$30,000,000.

**7.03 Indebtedness.** Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness outstanding on the date hereof and listed on Schedule 7.03 and any Permitted Refinancing Indebtedness in respect thereof;

(c) Guarantees by the Borrower or any Subsidiary Guarantor in respect of Indebtedness otherwise permitted hereunder of the Borrower or any Subsidiary Guarantor;

(d) obligations (contingent or otherwise) of the Borrower or any Subsidiary existing or arising under any Swap Contract, provided that such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a “market view”;

(e) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets (including Capital Lease Obligations), and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof except as otherwise permitted hereunder;

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provided that (i) such Indebtedness is incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this Section 7.03(e), when combined with the aggregate principal amount of all Indebtedness incurred pursuant to Sections 7.03(f), (g) and (h) shall not exceed the greater of (x) \$30,000,000 and (y) 5.0% of Consolidated Tangible Assets, at any time outstanding;

(f) Indebtedness of the Borrower or any Subsidiary incurred in connection with the issuance of any surety bonds, letters of credit or other similar bonds in the ordinary course of business; provided that the aggregate principal amount of Indebtedness permitted by this Section 7.03(f), when combined with the aggregate principal amount of all Indebtedness incurred pursuant to Sections 7.03(e), (g) and (h) shall not exceed the greater of (i) \$30,000,000 and (ii) 5.0% of Consolidated Tangible Assets, at any time outstanding

(g) Synthetic Lease Obligations of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets acquired by the Borrower or such Subsidiary subsequent to the Closing Date; provided that the aggregate principal amount of Indebtedness permitted by this Section 7.03(g), when combined with the aggregate principal amount of all Indebtedness incurred pursuant to Section 7.03(e), (f) and (h) shall not exceed the greater of (i) \$30,000,000 and (ii) 5.0% of Consolidated Tangible Assets, at any time outstanding.

(h) Indebtedness of any Person that becomes a Subsidiary after the Closing Date; provided that (i) such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in anticipation of such Person becoming a Subsidiary, (ii) immediately before and after such Person becomes a Subsidiary, no Default or Event of Default shall have occurred and be continuing and (iii) the aggregate principal amount of Indebtedness permitted by this Section 7.03(h), when combined with the aggregate principal amount of all Indebtedness incurred pursuant to Section 7.03(e), (f) and (g) shall not exceed the greater of (x) \$30,000,000 and (y) 5.0% of Consolidated Tangible Assets, at any time outstanding;

(i) unsecured Indebtedness on terms customary at the time for high-yield debt securities issued in a public offering, the proceeds of which are used either to prepay or repay Term Loans or to finance a Permitted Acquisition, and Permitted Refinancing Indebtedness in respect thereof, provided that:

(i) the Borrower would be in compliance with the covenants set forth in Section 7.11 as of the most recently completed period of four consecutive fiscal quarters ending prior to such incurrence of additional Indebtedness (or Permitted Refinancing Indebtedness in respect thereof) for which the financial statements and Compliance Certificates required by Section 6.01(a) or Section 6.01(b), as the case may be, and Section 6.02(b) have been delivered or for which comparable financial statements have been delivered hereunder, after giving pro forma effect to such additional Indebtedness (including the use of the proceeds thereof) (or Permitted Refinancing Indebtedness in respect thereof) as if such Indebtedness had been incurred as of the first day of such period (in the case of such additional unsecured Indebtedness the proceeds of which are used to finance a Permitted Acquisition, assuming, for purposes of pro forma compliance

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with Section 7.11, that the maximum Consolidated Leverage Ratio permitted at the time by such Section was in fact 0.25 to 1.00 less than the applicable ratio actually provided for in such Section at such time);

(ii) both immediately before and after giving effect to the incurrence of any such additional Indebtedness (including the use of the proceeds thereof) (or Permitted Refinancing Indebtedness in respect thereof), no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(iii) immediately after giving effect to such additional Indebtedness (or Permitted Refinancing Indebtedness in respect thereof), there must be at least \$25,000,000 in the aggregate of unused and available Revolving Credit Commitments and Unrestricted Cash; and

(iv) such additional Indebtedness (or Permitted Refinancing Indebtedness in respect thereof) has a weighted average life to maturity that is longer than the Term Loans and does not mature or require any payment of principal prior to the date that is at least six months after the Maturity Date; and

(j) additional unsecured Indebtedness, other than pursuant to the foregoing provisions of this Section 7.03, in an aggregate amount at any one time outstanding not to exceed \$35,000,000.

**7.04 Fundamental Changes.** Merge or consolidate with or into any other Person, dissolve, liquidate, amalgamate or wind up, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its property, business or assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default or Event of Default exists or would result therefrom:

(a) any Subsidiary may merge with (i) the Borrower, provided that the Borrower shall be the continuing or surviving Person, or (ii) any one or more other Subsidiaries, provided that when any Subsidiary Guarantor is merging with another Subsidiary that is not a Subsidiary Guarantor, such Subsidiary Guarantor shall be the continuing or surviving Person;

(b) the Borrower or any Subsidiary may make any conveyance, sale, assignment or disposition of assets not prohibited by Section 7.05;

(c) any Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or to another Subsidiary; provided that if the transferor in such a transaction is a Subsidiary Guarantor, then the transferee must either be the Borrower or a Subsidiary Guarantor;

(d) any Subsidiary may merge with another Person to effect a transaction permitted under Section 7.02;

(e) the Merger may be consummated in accordance with applicable law.

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**7.05 Dispositions.** Make any Disposition or enter into any agreement to make any Disposition, except:

- (a) Dispositions of obsolete, surplus or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;
- (b) Dispositions of inventory in the ordinary course of business;
- (c) Dispositions of equipment or real property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are reasonably promptly applied to the purchase price of such replacement property;
- (d) Dispositions of property by any Subsidiary to the Borrower or to a wholly-owned Subsidiary; provided that if the transferor of such property is a Subsidiary Guarantor, the transferee thereof must either be the Borrower or a Subsidiary Guarantor;
- (e) Dispositions permitted by Section 7.04;
- (f) Dispositions by the Borrower and its Subsidiaries of property pursuant to sale-leaseback transactions, provided that the book value of all property so Disposed of shall not exceed \$25,000,000 from and after the Closing Date;
- (g) non-exclusive licensing and cross-licensing arrangements involving technology or other Intellectual Property of the Borrower or a Subsidiary entered into in the ordinary course of business consistent with past practice and not interfering in any material respect in the business of the Borrower or any of its Subsidiaries;
- (h) Dispositions resulting from any casualty or condemnation of property or assets;
- (i) any consignment arrangements or similar arrangements for the sale of assets in the ordinary course of business;
- (j) the sale or discount of overdue accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof; and
- (k) Dispositions by the Borrower and its Subsidiaries not otherwise permitted under this Section 7.05; provided that (i) at the time of such Disposition, no Default or Event of Default shall exist or would result from such Disposition and (ii) the aggregate fair market value of all property Disposed of in reliance on this clause (k) in any fiscal year shall not exceed \$10,000,000 and in the aggregate shall not exceed \$50,000,000.

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**7.06 Restricted Payments.** Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that, so long as no Default or Event of Default shall have occurred and be continuing at the time of any action described below or would result therefrom:

(a) each Subsidiary may make Restricted Payments to the Borrower, the Subsidiary Guarantors and any other Person that owns an Equity Interest in such Subsidiary, ratably according to their respective holdings of the type of Equity Interest in respect of which such Restricted Payment is being made;

(b) Holdings, the Borrower and each Subsidiary may declare and make dividend payments or other distributions payable solely in the common stock or other common Equity Interests of such Person;

(c) Holdings, the Borrower and each Subsidiary may purchase, redeem or otherwise acquire Equity Interests issued by it with the proceeds received from the substantially concurrent issue of new shares of its common stock or other common Equity Interests;

(d) the Borrower may declare and pay cash dividends to Holdings not to exceed an amount necessary to permit Holdings to pay (i) reasonable and customary corporate and operating expenses (including reasonable out-of-pocket expenses for legal, administrative and accounting services provided by third parties, and compensation, benefits and other amounts payable to officers and employees in connection with their employment in the ordinary course of business and to board of director observers), (ii) franchise fees or similar taxes and fees required to maintain its corporate existence and (iii) to the extent relating to the ownership of Equity Interests in the Borrower, cash or Cash Equivalents, any income Taxes with respect to any consolidated group of which the Borrower is a member and Holdings is the parent;

(e) Holdings and the Borrower shall be permitted to use the proceeds of the Term Loans on the Closing Date to pay a dividend or other distribution to L-3 Communications Corporation;

(f) the Spin-Off Transactions may be consummated in accordance with the Distribution Agreement and the other Spin-Off Transaction Documents and applicable law;

(g) Holdings, the Borrower and its Subsidiaries may make Restricted Payments in an aggregate amount not to exceed the portion, if any, of the Available Basket Amount on the date of such Restricted Payments that the Borrower elects to apply to this Section 7.06(g); provided that at the time of the making of any such Restricted Payment, the Consolidated Leverage Ratio (after giving pro forma effect thereto and to the incurrence or issuance of any Indebtedness in connection therewith) shall not exceed 2.50:1.00; and

(h) Holdings, the Borrower and its Subsidiaries may make additional Restricted Payments (not otherwise permitted hereunder) so long as the aggregate amount of such Restricted Payments does not exceed, when combined with the amount of Investments made pursuant to Sections 7.02(c)(iv), (h) and (j) and payments, prepayments, repurchases, redemptions, defeasances and segregations made pursuant to the proviso set forth in Section 7.13(a)(i)(2), \$30,000,000.

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**7.07 Change in Nature of Business.** Engage in any material line of business substantially different from those lines of business conducted by the Borrower and its Subsidiaries on the date hereof or any business that is reasonably similar thereto or a reasonable extension, development or expansion thereof or ancillary thereto.

**7.08 Transactions with Affiliates.**

(a) Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate (other than the Borrower or any Subsidiary) unless such transaction is (i) not otherwise prohibited under this Agreement and (ii) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate.

(b) In addition, notwithstanding the foregoing, the Borrower and its Subsidiaries shall be entitled to make the following payments and/or to enter into the following transactions:

(i) the payment of reasonable and customary fees and reimbursement of expenses payable to directors of the Borrower and Holdings or to any Plan, Plan administrator or Plan trustee;

(ii) loans and advances to directors, officers and employees to the extent not prohibited by Section 8.02;

(iii) the arrangements with respect to the procurement of services of directors, officers, independent contractors, consultants or employees in the ordinary course of business and the payment of reasonable fees in connection therewith;

(iv) transactions with Holdings not prohibited by this Agreement;

(v) payments to directors and officers of the Borrower and its Subsidiaries in respect of the indemnification of such Persons in such respective capacities from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, as the case may be, pursuant to the Organization Documents or other corporate action of the Borrower or its Subsidiaries, respectively, or pursuant to applicable law;

(vi) the Spin-Off Transactions; and

(vii) Restricted Payments permitted under Section 7.06.

**7.09 Burdensome Agreements.** Enter into or permit to exist any Contractual Obligation (other than this Agreement or any other Loan Document) that limits the ability (i) of any Subsidiary to make Restricted Payments to the Borrower or any Guarantor or to otherwise transfer property to or invest in the Borrower or any Guarantor, except for (A) any agreement in effect on the date hereof and set forth on Schedule 7.09, (B) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions of the nature discussed in clause (i) above on the property so acquired, (C)



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requirements of Law or any applicable rule, regulation or order, (D) any agreement or instrument of a Person acquired by the Borrower or any Subsidiary, or that is assumed in connection with the acquisition of property or assets from any Person, in each case that is in existence at the time of such transaction (but not created in contemplation thereof), which limitation is not applicable to any Person, or the properties or assets of any Person, other than the Person so acquired and its Subsidiaries, or the property or assets so acquired, (E) customary restrictions with respect to a Subsidiary of the Borrower pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Equity Interests or assets of such Subsidiary, (F) secured Indebtedness otherwise permitted to be incurred pursuant to Section 7.01 that limits the right of the debtor to dispose of the assets securing such Indebtedness, (G) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into the ordinary course of business, (H) other Indebtedness or preferred stock of Subsidiaries permitted to be incurred subsequent to the Closing Date pursuant to Section 7.01 and the provisions relating to such limitation contained in such Indebtedness are no less favorable to the Borrower, taken as a whole, as determined by the board of directors of the Borrower in good faith, than the provisions contained in this Agreement as in effect on the Closing Date, (I) customary provisions in joint venture agreements or arrangements and other similar agreements or arrangements relating solely to such joint venture, (J) customary provisions contained in leases, sub-leases, licenses, sub-licenses or similar agreements, in each case, entered into in the ordinary course of business or (K) any limitations of the type referred to in clause (i) above imposed by any amendments, modifications, restatements, renewals, increases, supplements, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (A) through (J) above; provided that such amendments, modifications, restatements, renewals, increases, supplements, refunding, replacements or refinancings are, in the good faith judgment of the Borrower's board of directors, no more restrictive with respect to such limitation than those prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing, (ii) of any Subsidiary to provide the Guaranty to the Administrative Agent or (iii) of the Borrower or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person to secure the Obligations as required hereunder; provided, however, that this clause (iii) shall not prohibit (A) any negative pledge incurred or provided in connection with any purchase money Liens or Capital Lease Obligations otherwise permitted hereby solely to the extent any such negative pledge relates to the property financed by or the subject of the relevant Indebtedness, (B) customary joint venture agreements relating to purchase options, rights of first refusal or call or similar rights of a third party that owns Equity Interests in such joint venture or (C) customary provisions restricting assignment of any agreement entered into in the ordinary course of business.

#### **7.10 Holdings.**

(a) Holdings shall not have outstanding or acquire any Investment in any Person other than (i) Investments in the Equity Interests of the Borrower and Cash Equivalents and (ii) temporary Investments in Equity Interests in International Resources Group Ltd. in connection with the Internal Reorganization.

(b) Holdings shall not engage in any business activity or own any assets or incur any Indebtedness other than (i) its ownership and voting of the Equity Interests of the Borrower and any activities reasonably related thereto, (ii) the negotiation, execution, delivery of, and the

performance of its obligations under the Loan Documents and the Transaction Documents to which it is a party and any instruments, documents or other agreements related to such Indebtedness and any activities reasonably related thereto, (iii) cash and Cash Equivalents, (iv) any other Investments not prohibited by Section 7.10(a), (v) a guarantee of Indebtedness or other obligations of the Borrower or any of its Subsidiaries, provided that the Guaranty of Holdings pursuant to the Guarantee and Collateral Agreement ranks at least pari passu in priority of payment with the guarantee of such other Indebtedness or other obligations and (vii) the Transactions. Holdings shall not create, incur, assume or suffer to exist any Lien upon the Equity Interests in the Borrower other than the Liens created by the Loan Documents.

#### **7.11 Financial Covenants.**

(a) Consolidated Debt Service Coverage Ratio. Permit the Consolidated Debt Service Coverage Ratio as of the end of any fiscal quarter of the Borrower to be less than 1.25:1.00.

(b) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as of the end of any fiscal quarter of the Borrower to be greater than the ratio set forth below opposite such end of such fiscal quarter:

<u>Four Fiscal Quarters Ending</u>	<u>Maximum Consolidated Leverage Ratio</u>
September 30, 2012	3.50:1.00
December 31, 2012	3.50:1.00
March 31, 2013	3.50:1.00
June 30, 2013	3.25:1.00
September 30, 2013	3.25:1.00
December 31, 2013	3.25:1.00
March 31, 2014	3.25:1.00
June 30, 2014 and thereafter	3.00:1.00

**7.12 Sales and Lease-Backs.** Enter into any arrangement, directly or indirectly, with any Person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or