

## EXHIBIT REGARDING LICENSE APPLICATION DENIAL

The original application was dismissed by the FCC (Reference Number: 7126). Prior coordination with the FAA and military was required.

For this application none of the FAA frequencies will be used, i.e., the Radar Altimeter (4300 MHz), the IFF (1030 MHz and 1090 MHz), and the GPS Repeater (1575.42) will not be used, and the FAA has no objection for the use of the other frequencies. See **Attachment A**, e-mail from Mr. Sydney Bradfield.

As far as coordination with military (MAG) is concerned, per Mr. Navid Golshahi of the FCC, we need to re-submit our application with the following information, and he will contact MAG and do the coordination on our behalf. List of the required information:

- 1) Copy of CEi's Contract with the Korean Agency for Defense Development (ADD)
- 2) "Stop-Buzzer" information
- 3) Copy of the TAA

Here is the above requested information:

- 1) Information regarding CEi's contract with the Korean Agency for Defense Development (ADD) is provided in **Attachment B**.
- 2) "Stop-Buzzer" information: Mr. Tom Nelson at (916) 612-8162.
- 3) A copy of the TAA is provided in **Attachment C**.

## ATTACHMENT A

**From:** Sydney.Bradfield@faa.gov  
**Sent:** Friday, July 11, 2008 7:12 PM  
**To:** Stephanie.Thomas@faa.gov  
**Cc:** Sydney.Bradfield@faa.gov; Bruce.Williams@faa.gov;  
Benjapol.Phimsoutham@faa.gov; Farid Razaqpur; donald.nellis@faa.gov;  
james.motley@faa.gov; John.Hepsen@faa.gov; Nico.Nguyen@faa.gov;  
Phuong.Duong@faa.gov; rodney.murphy@faa.gov; Theresa.Simpson@faa.gov;  
thuy.t.nguyen@faa.gov; Tom Nelson  
**Subject:** RE: Summary Description of BQM-167i Target

**Follow Up Flag:** Follow up  
**Flag Status:** Red

**Attachments:** I34350\_1\_NTIA\_Addition\_of\_Section\_8.3.28\_GPS\_Re-Radiators.pdf;  
1090 Parrot Altitude Code Assignment Action.pdf; BQM-167i Brief Description.doc

Mr. Razaqpur,

In order to provide coordination NG T numbers for the GPS Re-radiator 1575.42 MHz, 1090/1030 MHz tester, and Radar Altimeter 4300 MHz, please provide Latitude and Longitude for the below test facility.

1) Manufacturing and Testing Facility at 5381 Raley Blvd., Sacramento, CA

Otherwise, as Stephanie indicates below, all frequencies in the UHF Spectrum 380-400 MHz along with 235 and 317/322 MHz should be coordinated through your Air Force Sponsor for appropriate frequency selection and NTIA DOD coordination/approval and so no FAA coordination NG T numbers would be necessary with frequencies falling on other appropriate Annexes and not on the FAA Annex A Air Traffic Control designated frequencies within the DOD UHF 225-400 MHz Channel Plan.

All other remaining proposed frequencies as noted below fall outside aviation bands and so do not require FAA coordination and hence also no NG T coordination numbers.

Thanks,

Sydney Bradfield  
WSA Engineering Services  
LA Operations Engineering Support Center, AJW-W15M  
Comm/Spectrum Support Center  
310-725-3671, DSN 958-3671

## ATTACHMENT B

Here is a copy of CEi's Contract with the Korean Agency for Defense Development (ADD).

### AGENCY FOR DEFENSE DEVELOPMENT REPUBLIC OF KOREA

Contract No. : U7343KF

Date of Contract : December 21, 2007

Commodity : Aerial Target Drone System 1 set

Number of Item : Nine (9) Items

Contract Amount : FCA U.S.A. Airport USD17,998,000.00

Contractor : Composite Engineering Inc.

Manufacturer : Composite Engineering Inc.

Supplier : Composite Engineering Inc.

Inspection : Acceptance Test

Origin : U.S.A.

Delivery : Within forty-two (42) months  
from the effective date of contract  
(Hardwares Shipment : Within twelve (12) months  
from the effective date of contract)



AGENCY FOR DEFENSE DEVELOPMENT  
REPUBLIC OF KOREA

The Agency for Defense Development hereby agrees to buy and

Composite Engineering, Inc. hereby agrees to sell "Aerial Target Drone System 1 Set",

in compliance with Section I, "General Terms and Conditions", Section II, "Special Terms and Conditions", Section III, "Commercial Proposal including Commodity Descriptions, Section IV "Requirements for Technical Proposal" and "Bidder's Technical Proposal", Section V "Offset Memorandum of Agreement" and "Other Documents", attached hereto.

This Contract is generally in agreement with ADD Terms and Conditions except as revised or deleted during contract negotiations.

Signed at : Sacramento, California(USA)

Signed at : Daejeon, Korea

This 21 day of December, 2007

This 21 day of December, 2007

Composite Engineering, Inc.(CEI)  
5381 Raley Blvd  
Sacramento, California 95838(USA)

Agency for Defense Development  
Republic of Korea

Dan Sorensen  
Vice President, Sales

Ha-Min Chung  
Finance and Contract Commissioner

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MAIL ADDRESS : P.O BOX 35, YUSEONG, DAEJEON, KOREA.

FAX NO : (042)824-0728. TEL NO : (042)821-3836

## ATTACHMENT C

Here is a copy of the TAA.



United States Department of State

*Bureau of Political-Military Affairs  
Directorate of Defense Trade Controls*

*Washington, D.C. 20522-0112*

In Reply Refer to  
DTC Case **TA 0244-08**

Mr. Al Markowich  
Composite Engineering, Inc  
5381 Raley Blvd  
Sacramento, CA 95838

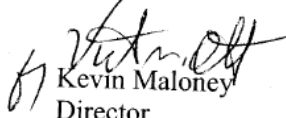
MAR 17 2008

YOUR LETTER DATED: January 25, 2008  
AGREEMENT FOR: Technical Assistance  
FOREIGN LICENSEE: The Agency for Defense Development, Republic of  
Korea; The Republic of Korea Air Force; Syncron Co. Ltd – South Korea  
COMMODITY: Technical Data and Defense Services to support the Testing,  
Delivery, Installation, Maintenance Training and Follow-On Support for the  
BQM-167i Aerial Target System

Dear Applicant:

The Department of State approves the request as identified subject to the limitations, provisos or other requirements stated below. The agreement may not enter into force until these requirements have been satisfied. The applicant must submit any request for extension to this office for approval no later than 60 days prior to the authorized expiration date.

Sincerely yours,

  
Kevin Maloney  
Director

Office of Defense Trade Controls Licensing

### LIMITATIONS, PROVISOS AND OTHER REQUIREMENTS:

1. This authorization expires **February 28, 2018.**

In Reply Refer to  
DTC Case TA 0244-08

2. Sublicensing/retransfer is not authorized under this agreement. If sublicensing/retransfer is contemplated, the applicant must receive prior written approval from this office to an amendment or proviso reconsideration request describing the purpose of the sublicensing/retransfer activity, the data to be transferred, and the individual parties involved.
3. No US signatories may export or temporarily import hardware, software, technical data or defense services against this agreement until all parties have executed the agreement. In accordance with 22 CFR 124.4(a), submit one copy of the signed agreement, revised as may be required herein, to this office no later than 30 days after it enters into force. The applicant must inform this office within 60 days of a decision not to execute this approval.
4. If the agreement is not executed within one year of this approval, a written report as to the status of the agreement must be submitted to this office on an annual basis until the requirements of 22 CFR 124.4 or 22 CFR 124.5 have been satisfied.
5. Export or temporary import of hardware in furtherance of this agreement by separate license is authorized. **If used, separate license must reference this agreement and must not exceed \$14,551,042.** Export of hardware in furtherance of this agreement under the provisions of 22 CFR 123.16(b)(1) is not authorized. Hardware authorized for export or temporary import is identified in **Annex B** of the Agreement.
6. Employees of the foreign licensees who are nationals of a third country (includes "dual nationals") are not authorized to receive any defense articles or services under this agreement. Transfers to employees of the foreign parties who are nationals of a third country may take place only after this office approves an amendment to the agreement which identifies countries of origin and nationality.
7. Approval of this TAA **does not constitute approval** of brokering by any party, or mitigate the review of any compliance cases that involve brokering activity associated with this TAA. If activities as described in 22 CFR 129.2 are associated

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with this agreement, then the applicant must ensure compliance with ITAR Part 129. If it is unclear if activities constitute brokering, then all parties are reminded they may submit an advisory opinion in accordance with 22 CFR 129.10.

8. In accordance with 22 CFR 124.10, the applicant must submit an original Non-transfer and Use Certificate (DSP-83) referencing this case number, signed by the applicant and the foreign licensee(s), to this office prior to the implementation of this agreement.
9. Global Positioning System (GPS) Precise Positioning Service (PPS) security modules MUST BE sold via Foreign Military Sales.
10. Signature data, to include radar cross section (RCS), ultraviolet (UV) or infrared (IR), of U.S. Government systems MAY NOT be discussed, offered or released.
11. Information pertaining to specific U.S. mission payloads or anti-aircraft training scenarios MAY NOT be offered, discussed or released.