

EXHIBIT REGARDING LICENSE APPLICATION DENIAL

The original application was dismissed by the FCC (Reference Number: 7125). Prior coordination with the FAA and military was required.

Coordination with the FAA has been completed and the following are the ASGs provided for the frequencies used by the FAA.

Frequency	ASG	Conditions
M1575.42	NG T080437	NTIA Manual Section 8.3.28
M4300	NG T080446	
M1090	NG T080448	Report below surface altitude or 105400, 105600, 84100, 83600, or 83900 ft
M1030	NG T080466	See Attachment A for the conditions

We have satisfied all of the conditions imposed by the FAA for our Sacramento, CA test locations. **Attachment B** provides the NC TRACON approval for the use of IFF Mode 3 Codes, as requested by the FAA for the 1030 MHz IFF Test Set frequency coordination.

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 C**.
- 2) "Stop-Buzzer" information: Mr. Tom Nelson at (916) 612-8162.
- 3) A copy of the TAA is provided in **Attachment D**.

ATTACHMENT A

Conditions for coordination of IFF Test Set operating at 1030 MHz:

- (1) Any Mode C altitude other than ground level, the transponder must be directly connected to the test set (no radiation).
- (2) Mode 3 codes shall be coordinated with the local FAA Air Traffic Control facility and use only the codes that are assigned. For assignment of Mode 3 codes for Sacramento, CA, please call/coordinate first with the Northern California (NCT) TRACON Air Traffic Management desk at 916-366-4080. For facilitation if needed, you may call the NCT Operations Manager 916-366-4019, or Oakland Center Air Traffic Military Operations Office 510-745-3334.
- (3) The ramp tester may only interrogate with a PRF of 235 Hz.
- (4) The transponder may only report ground level altitude for free-space reply. In addition as an extra precaution in decreasing the potential for future phantom TCAS events, the tester is recommended to be set to one of the following five altitude codes in lieu of the standard -1000 feet ground level altitude: 105400' code 7732, 105600' code 7762, 84100' code 7736, 83600' code 7566, 83900' code 7766
- (5) Only one ramp tester may operate at a time.

ATTACHMENT B

Here is a copy of the e-mail from Mr. Mitchell Peter regarding NC TRACON approval for the use of IFF Mode 3 Codes.

From: Mitchell.Peter@faa.gov
Sent: Friday, August 15, 2008 11:18 AM
To: Farid Razaqpur
Cc: David Tsao; Sydney.Bradfield@faa.gov; Tom Nelson
Subject: Re: FW: Summary Description of BQM-167i Target

Farid,

Northern California TRACON has no objection to the test of your transponder within the code bank of 6170-6177. If you would, please call the NCT TMU at 916-366-4080 before you start the test with a "heads up" call if able. Thank you.

Mitchell Peter
Supervisory Traffic Management Coordinator
Northern California TRACON
916-366-4080

ATTACHMENT C

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

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

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

ATTACHMENT D

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; Synchron 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.**

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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.