ORIGINAL

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ADMINISTRATIVE LAW
GOVERNMENTAL LAW
PUBLIC UTILITY LAW

TELEPHONE (850) 877-5200
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April 9, 2003

VIA HAND DELIVERY

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03 APR -9 PM 12: 59
COMMISSION
CLERK

Blanca S. Bayo, Director
Division of Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0800

030333-TX

Re: Metric Systems Corporation
ALEC application

Dear Ms. Bayo:

Please find the original and six copies of Metric Systems Corporation's ALEC application. Also attached is a check for $250.00.

Should you have questions or need any additional information, please contact me. Thank you for your assistance in this matter.

Very truly yours,

Suzanne Brownless

Suzanne Brownless
Attorney for Metric Systems Corporation.

SB:dh
metric bayo ltr

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DOCUMENT NUMBER-DATE
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** FLORIDA PUBLIC SERVICE COMMISSION **

DIVISION OF COMPETITIVE MARKETS AND ENFORCEMENT
CERTIFICATION

APPLICATION FORM
for
AUTHORITY TO PROVIDE
ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA

Instructions

- This form is used as an application for an original certificate and for approval of the assignment or transfer of an existing certificate. In the case of an assignment or transfer, the information provided shall be for the assignee or transferee (See Page 12).

- Print or type all responses to each item requested in the application and appendices. If an item is not applicable, please explain why.

- Use a separate sheet for each answer which will not fit the allotted space.

- Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of **$250.00** to:

  Florida Public Service Commission
  Division of the Commission Clerk and Administrative Services
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6770

- If you have questions about completing the form, contact:

  Florida Public Service Commission
  Division of Competitive Markets and Enforcement Certification
  2540 Shumard Oak Blvd.
  Tallahassee, Florida 32399-0850
  (850) 413-6600

APPLICATION

1. **This is an application for √ (check one):**

   (x) **Original certificate** (new company).

   (   ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

   (   ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   (   ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. **Name of company:**

   Metric Systems Corporation

3. **Name under which the applicant will do business (fictitious name, etc.):**

   Metric Systems Corporation

4. **Official mailing address (including street name & number, post office box, city, state, zip code):**

   645 Anchors Street
   Fort Walton Beach, Florida 32548

5. **Florida address (including street name & number, post office box, city, state, zip code):**

645 Anchors Street
Fort Walton Beach, Florida 32548

6. **Structure of organization:**

( ) Individual
( ) Foreign Corporation
( ) General Partnership
( ) Other ____________
(x) Corporation
( ) Foreign Partnership
( ) Limited Partnership

7. **<u>If individual,</u> provide:**

Name:______________________________

Title:______________________________

Address:______________________________

City/State/Zip:______________________________

Telephone No.:________________ Fax No.:________________

Internet E-Mail Address:______________________________

Internet Website Address:______________________________

8. **<u>If incorporated in Florida,</u> provide proof of authority to operate in Florida:**

(a) The Florida Secretary of State corporate registration number:

Corporate Registration No.: 301574

9. **If foreign corporation, provide proof of authority to operate in Florida:**

(a) The Florida Secretary of State corporate registration number:

Not applicable.

10. **If using fictitious name-d/b/a, provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:**

(a) The Florida Secretary of State fictitious name registration number:

Not applicable.

11. **If a limited liability partnership, provide proof of registration to operate in Florida:**

(a) The Florida Secretary of State registration number:

Not applicable.

12. **If a partnership, provide name, title and address of all partners and a copy of the partnership agreement.**

Name: Not applicable

Title:____________________

Address:____________________

City/State/Zip:____________________

Telephone No.:____________ Fax No.:____________

Internet E-Mail Address:____________________

Internet Website Address:____________________

13. **If a foreign limited partnership, provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.**

(a) The Florida registration number: Not applicable

14. Provide F.E.I. Number (if applicable): 591118491

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

None.

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

None.

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Ms. Gisela Davis
Title: Director, Business Administration
Address: 645 Anchors Street
City/State/Zip: Fort Walton Beach, Florida 32548
Telephone No.: (850) 302-3409 Fax No.: (850) 302-3475
Internet E-Mail Address: gdavis@metric-idt.com
Internet Website Address: www.metricsys.com

(b) Official point of contact for the ongoing operations of the company:

Name: Gisela Davis
Title: Director, Business Administration
Address: 645 Anchors Street
City/State/Zip: Fort Walton Beach, Florida 32548
Telephone No.: (850) 302-3409 Fax No.: (850) 302-3475
Internet E-Mail Address: gdavis@metric-idt.com
Internet Website Address: www.metricsys.com

(c) Complaints/Inquiries from customers:

Name: Same as above.

Title: ______________________________

Address: ______________________________

City/State/Zip: ______________________________

Telephone No.: ______________ Fax No.: ______________

Internet E-Mail Address: ______________________________
Internet Website Address: ______________________________

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

None.

(b) has applications pending to be certificated as an alternative local exchange company.

Only in the State of Florida.

(c) is certificated to operate as an alternative local exchange company.

None.

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

None.

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None.

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None.

18. Submit the following:

A. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

Please see Attachment A.

B. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate what company has been contracted to conduct technical maintenance.

Please see Attachment B.

C. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet:
2. income statement: and
3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.
3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

Please see Attachment C.

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

Mark Munday	[signature]
Print Name	**Signature**
CFO	03/31/03
Title	**Date**
850/302-3000	850/302-3657
Telephone No.	**Fax No.**

Address: Metric Systems Corporation
645 Anchors Street
Fort Walton Beach FL 32548

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

Mark K Munday

Print Name

Signature

CFO

Title

03/31/03

Date

850/302-3000

Telephone No.

850/302-3475

Fax No.

Address: 645 Anchors Street

Fort Walton Beach FL 32548

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

INTRASTATE NETWORK (if available)

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

1. **POP:** Addresses where located, and indicate if owned or leased.

   1)________________ 2)________________

   3)________________ 4)________________

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

   1)________________ 2)________________

   3)________________ 4)________________

3. **TRANSMISSION FACILITIES:** POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

POP-to-POP	OWNERSHIP
1)	
2)	
3)	
4)	

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

CERTIFICATE SALE, TRANSFER, OR ASSIGNMENT STATEMENT

I, (Name)____
(Title)__________________________________ of (Name of Company)

____
and current holder of Florida Public Service Commission Certificate Number # ________
________________, have reviewed this application and join in the petitioner's request for a:

(   ) sale

(   ) transfer

(   ) assignment

of the above-mentioned certificate.

UTILITY OFFICIAL:

______________________ **Print Name**	______________________ **Signature**
______________________ **Title**	______________________ **Date**
______________________ **Telephone No.**	______________________ **Fax No.**

Address: ______________________________________

____

____

____

FORM PSC/CMU 8 (11/95)
Required by Commission Rule Nos. 25-24.805, 25-24.810, and 25-24.815

EDWIN R. EPSTEIN
President

EDUCATION

Georgia Institute of Technology - September 1973 - June 1977 BEE Degree (Digital, analog and RF circuit design)

EXPERIENCE

1977 - Present **Metric Systems Corporation**

President and CEO (2000 to Present)

Responsible for leading operations in Fort Walton Beach, FL, Dallas, TX, Las Vegas, NV, and several European/SW Asian locations, employing 600+ specialized technical, manufacturing, and technical support personnel. Implemented corporate reorganization/consolidation plan to reduce cost by at least $2.8M per year. Tasked with leading the $92M+ company into a 15%+ yearly revenue and EBITDA growth through internal growth of Metric's product lines.

Director of Electronics Engineering Department and Deputy Director Electronics Division (1997 to 2000)

Reported directly to the Vice President of the Electronics Division, responsible for technical, P&L, schedule, contractual performance of all programs within the Engineering Department, leading a staff of approximately 160 engineers and support personnel. Also responsible for business development and marketing activities for the division. During this period, Metric successfully captured of the USAFE Rangeless Interim Training System (URITS) and received the best Contractor Performance Assessment Ratings (CPARs) ever received from the Air Force's RISPO on the URITS and GPS Full-Rate Production Programs. As Deputy Director of Electronics Division, assisted Vice President in strategic planning, potential acquisition support, and development of projections of profit, revenue, and bookings for the division, a virtually stand-alone business unit.

Engineering Section Manager and Deputy Director of Electronics Engineering Department (1991 to 1997)

Directed all engineering functions of the Electronics Division while acting as Program Manager of the $60 million P4B program for the development, full-rate production and fielding of 537 Aircraft Instrumentation Subsystem (AIS) pods and 17 Test Sets. Also managed the upgrade of the P4B pod to include GPS capability and on-board recording for the Navy's Test Instrumentation Pod (TIP) program. Participated extensively in business development and proposal activities, including the capture of the $50M GPS Full-Rate Production program, that was instrumental in establishing Metric as the leading manufacturer of T&E range test instrumentation.

Radar Department Design Group Manager (1984 to 1991)

Supervisor and team leader of approximately 20 engineers responsible for all special purpose digital subsystems, signal processors and retrofit modifications. Responsible for detailed system and circuit analysis, internal research and development (IR&D) projects and proposal support. From 1986 to 1989, acted as Project Engineer and Program Manager (with P&L responsibility) in the development, production, and installation of several hundred SAM Interface Units and Manual Plot Extractors, with a total program value of $10M. The equipment was integrated into Soviet-made radars to form an integrated command and control infrastructure for the Egyptian Air Defense System.

Senior Project Engineer (1982 to 1984)

Project engineer for the modification of the receivers and addition of Digital Moving Target Indicators (DMTIs) to the AN/MSQ-T13 SAM Radar Simulators. Also functioned as program manager and project engineer for development of two AN/MSQ-T51 Missile Seeker Simulators that included exploitation of actual threat hardware.

Designed and built control unit/telemetry interface unit for three expendable shipboard radar simulators to be used in testing of the Tomahawk Missile Program. Also served as program manager/project engineer on program to build two digital Target Tracking Electronics Subsystems (TTES) for the Navy's AN/MPQ-47 Advanced TWS Radar Simulator, whose purposeis to track targets electronically in range, azimuth, and elevation and supply all display functions to the tracking consoles.

Project Engineer (1979 to 1982)

Responsible for all facets of project management, design and production of the DMTI, Digital Video Integrators, PRI Generator, and Target Designator for the AN/MPS-T9 Early Warning/Ground Control Intercept Radar Simulator. The DMTI and Digital Video Integrators incorporated extremely high frequency logic and advanced radar signal processing techniques.

Electronics Engineer/Senior Electronics Engineer (1977 to 1979)

Responsible for the design and production of the digital Range Tracker and Radar Synchronizer subsystems for the AN/MPQ-T3 AAA Radar Threat Simulator. Also responsible for the Digital Moving Target Indicator (DMTI) for the AN/MPQ-T3 and AN/GPQ-T8 radars and for other domestic and foreign customers. The DMTI is high speed digital filter which provides a radar operator the capability of detecting moving targets in the presence of clutter, including chaff, rainfall, sea clutter, and normal ground clutter.

RELATED INTERESTS

- Licensed radio amateur (Advanced class), sailing
- Member of Old Crows, NDIA, and ITEA

Mark S. Munday
CFO & Vice President of Finance

B.S. Accounting-Florida State University
Certified Public Accountant

Mr. Munday has been IDT Metric's Chief Financial Officer since October 2000. He has over 23 years of progressive experience in the electronics manufacturing industry in both the standard cost and job cost environment. For the last thirteen years, he has served in the capacity of Chief Financial Officer.

The primary focus of Mark's work experience includes due diligence and acquisitions, government contracting, forecasting, cash management, and financial reporting. In addition, he was responsible for administration of pension and 401K plans, and management information systems.

Prior to joining IDT Metric, Mark spent thirteen years with Keltec, a subsidiary of Signal Technology Corporation where he advanced to Chief Financial Officer. While there, he was recognized for successfully merging the company into Signal Technology after acquisition. In addition he played a key role in the negotiations and acquisition of two competing firms and the successful turnaround of a sister division. He has served as Chief Financial Officer of TYBRIN Corporation and Phycor Inc.

Mark is married and has three sons. Mark is a member of the Florida Institute of Certified Public Accountants and holds an active CPA license in the State of Florida. Leisure activities include running, youth sports, fishing, and church activities.

Gisela Davis
Director, Business Administration

BA/BS NM State University, Alamogordo, NM -- Business Administration

Ms. Davis joined IDT Metric in May 2000 as Cost Analyst. After six months, Ms. Davis was promoted to Director, Business Administration. In this position Ms. Davis is the Director of five departments: Information Technology (IT), Human Resources (HR), Security, Training, and Facility Maintenance.

Prior to joining IDT Metric, Ms. Davis worked for DynCorp, a $2 billion information Technology and Outsourcing Solutions Company, in various management positions including Site Manager for operations and maintenance of the Eglin AFB Multimedia Center, where she directed the efforts of 70 employees and annual budget $12 million. Prior to her assuming her management role, she was the capture team leader for the successful DynCorp pursuit of the eight-year Eglin AFB Multimedia Center contract.

Prior to her position with DynCorp, Ms Davis was the Site Manager for the Beta Remote Bar Coding Site for the US Postal Service in Tampa, FL, managing up to 740 data entry operators, encoding up to 1.5 million pieces of mail each day, and managing an annul budget of $45 million.

Ms. Davis is active member of Toastmasters.

SCOTT ALEXANDER WINBURN

712 29th Street **850-729-3949**
Niceville, FL 32578 **srl@gnt.net**

OBJECTIVE: A position as a *Computer/Network Technician* using my education and expertise to enhance both myself and your company.

QUALIFICATIONS AND SKILLS

- C++ Computer Programming educated
- Proficient in DC electrical circuits
- Expert in assembling and repairing computer systems
- Experienced in HTML programming and Web page design
- Talented Master Automobile Technician with over 10 years experience
- A quick study and self-starter
- Special talent for working with all types of people
- Adaptable, well-organized, efficient and highly productive
- Skilled supervisor and manager of organization in absence of upper management

ACCOMPLISHMENTS

- A+ Certified Computer Repair Technician
- ASE Master Automobile certified in five years
- Sears Technical Training Center: Three advanced auto repair courses
- Employee of the Year twice; Employee of the Month numerous times

VOLUNTEER WORK

Niceville High School *Information Technology Dept.*: Diagnosing and repairing PCs, configuring desktop machines for use on local network, configuring and installing operating systems including desktop setups and configurations for Windows NT Terminal Server and Windows NT 4.0. *Son's classroom*: Installed peripherals and configured class PC, taught art, read with the class and provided in-class computer help.

American Red Cross Eglin Regional Hospital: Nominated "Volunteer of the Year" 1997. Received "Outstanding Volunteer" award in March 1998. Assisted medical staff in the Emergency Room, cared for patients, phoned surveyed patients by phone and tabulated findings.

PROFESSIONAL EXPERIENCE

Job Title	Employer,Location	Dates
Mechanic/Technician	Sears-Roebuck & Company, Mary Esther, FL	1990 - Present

EDUCATION

Associate of Arts degree, Okaloosa Walton Community College; Niceville, FL 1999
President's List

SCOTT ALEXANDER WINBURN

712 29th Street | **850-729-3949**
Niceville, FL 32578 | **srl@gnt.net**

Employed by M.I.S. department to provide support for company computer users. Duties have included installations of clients from network servers and assembly/repair of PC's.

EMPLOYER: Niceville High School
Title: Computer/Network Technician
Employment Dates: 5/99 - Present
Status: Volunteer
Duties:
Work with Information Technology Department and network administrator to provide services that include installation and configuration of Windows NT, Windows 95, Windows 98 and Windows 3.11 for Work Groups. Troubleshoot hardware/software problems and IRQ conflicts. Repair and upgrade desktop PC's including installations of network cards, video cards, sound cards, motherboards, IDE hard drives, floppy disk drives and CD Roms. Modify, repair and troubleshoot config.sys and autoexec.bat files. Repair/inspect swap files on Windows PC's. Install and configure printers on networked desktops. Assist/support network users with computer issues.

EMPLOYER: Sears Roebuck & Company, Mary Esther, FL
Title: Technician/mechanic
Employment Dates: 6/90 - Present
Status: Full -Time
Duties:
Duties include troubleshooting and repairing D.C. electrical systems and repair of systems controlled by on-board computers. Utilize and maintain computerized test equipment and volt ohmmeters. Approximately four years experience utilizing DOS environment recording services performed and one and a half years using Windows NT. Provide support for store desktop PC and software applications including Lotus 123. Inspect, diagnose and repair automobiles.

Home PC Repair (1/97 – Present):
Repair, upgrade, assemble and configure desktop PC's. Experience in installation and configuration of Office 97. Setup and configure PC's for use on Internet and configure user accounts for e-mail services. Install Netscape Communicator 4.51, Microsoft Internet Explorer 4.01, 5.0 and Outlook Express. Install Windows NT 4.0, Windows 98 and Windows 95 including OSR1 and OSR2. Diagnose and repair PC boot, hardware and software problems utilizing Forefront Advance Diagnostic Cards including the POST Plus system POST tester, The Discovery Card used for detecting DMA and IRQ usage and The Troubleshooter advanced diagnostic system software. Experienced in back up and re-instatement of hard drive data as well as routine maintenance including utilization of scandisk and defrag.

SCOTT ALEXANDER WINBURN

712 29th Street
Niceville, FL 32578

850-729-3949
srl@gnt.net

OBJECTIVE:

A position as a *Computer/Network Technician* using my education and expertise to enhance both myself and your company.

EDUCATION:

58 hours toward Computer Informations Systems Degree. Will complete Associate of Arts degree from Okaloosa Walton Community College; Niceville, FL in December of 1999
President's List

QUALIFICATIONS AND SKILLS:

- Experienced in assembling and repairing computer systems
- C++ Computer Programming educated
- Experienced in HTML programming and Web page design
- Proficient in DC electrical circuits
- Skilled supervisor and manager
- A quick study and self-starter
- Special talent for working with all types of people
- Adaptable, well-organized, efficient and highly productive
- Master Automobile Technician

ACCOMPLISHMENTS:

- ☐ A+ Certified Computer Repair Technician with demonstrated skills in troubleshooting and installation/configuration of WIN 95, WIN 3.11, MS DOS and software/hardware issues.
- ☐ ASE Master Automobile Certified
- ☐ Sears Technical Training Center: Three advanced auto repair courses including advanced computer controlled braking systems
- ☐ Employee of the Year twice; Employee of the Month numerous times

PROFESSIONAL EXPERIENCE:

EMPLOYER:	MTI
Title:	Computer/Network Technician
Employment Dates:	7/99 – Present
Status:	Temporary
Duties:	

FEB 12

304Bimini Way
Niceville, FL 32578

Home Phone: 850-897-9197
Email: jackglenn@home.com

Jack Glenn

Wed. 9am.

Objective

To obtain a challenging position that will provide growth potential in a specific customer support environment, with continued emphasis on voice and data network technologies.

Experience

2000 to 2001 *NewSouth Communications* *Destin, FL*

Systems Tech/Project Manager

- Performed installation and maintenance with PBX systems, keys systems and voice mail systems.
- Conducted daily work orders consisting of trouble shooting, repairs, add, moves and changes to customer premise systems.
- Prepared and designed proposals for customer premise voice/data cabling, new systems and upgrades to existing systems.
- Assisted NewSouth central office with installation and trouble shooting remote channel bank and CLEC facilities.

1991–1999 *Atlanta Children's Health Care* *Atlanta, GA*

Department Supervisor/Coordinator

- Coordinated installation and maintenance of voice and data network utilizing Ethernet and FDDII standards to existing hospital campus, expansion and remote sites.
- Supervised up to seven techs plus contractors supporting hospital campus and remote sites communications.
- Oversaw PBX and Key system(s) maintenance, trunk utilization, billing, TVs, pagers adds, moves and repairs for main hospital campus and offsite facilities.
- Managed departmental procurement, cost estimating, budget forecasting, personnel reviews and negotiations with vendor contracts.

1987–1991 *Burnup and Sims* *Atlanta, GA*

Project Supervisor

- Represented the company in negotiations with managers with IBM, for plans and proposals regarding future business.
- Responsible for over seeing the Georgia World Congress Center contract which provided support to Bellsouth techs in resolving problems with add move and changes.
- Supervised project installations of voice data equipment for IBM, Rohm, Bell South and Wachovia Bank.

1986–1987 *Key Services* *Atlanta, GA*

Lead Technician

- Responsible for installation, testing and maintenance of station and riser cabling and equipment.
- Maintained records of riser, IDF, mainframe and station records.'

Education

- 1985 –ITT Tech/ telephony and electronics Houston, Texas
- 1987—Seicor / fiber optic fusion splicing, terminations and engineering. Hickory, N.C.
- 2001 OWCC / Computer Applications, A+ certification Niceville FL.

Interests

- Swimming, gardening, carpentry/woodworking, computers, Promise Keepers

ATTACHMENT C

The Applicant, Metric Systems Corporation, founded in 1957 as a division of Canoga Electronics and acquired in1999 by Integrated Defense Technologies, Inc. (IDT), provides engineering and manufacturing services for the conceptualization, design, analysis, prototype fabrication and production of both commercial and defense related products. Metric Systems Corporation's products encompass a full range of air, land and sea systems involving mechanical, electro-magnetic, and electronic engineering and manufacturing.

Metric Systems Corporation employs approximately 700 people at its Fort Walton Beach facility, which includes six plants totaling 266,500 square feet located on 36 acres.

Metric Systems Corporation is headed by Edwin R. Epstein, President, and CEO, an electrical engineer with 26 years of managerial experience in the defense industry and supervision of more than 600 specialized technical and manufacturing personnel. Mark S. Munday, CFO, and Vice President, a certified public accountant has over 23 years of progressive experience in the financial management of electronics manufacturers. Gisela Davis, Director of Business Administration, has extensive experience in the management of human'resources, information technology, security, training and facility maintenance.

Scott Winburn is experienced in assembling and repairing computer systems, HTML programming, Web design and an A+ Certified Computer Repair Technician. Jack Glenn, has over 17 years of experience in the installation and maintenance of switches, PBX, key and voice mail telecommunications systems.

An Audited Financial Statement for the year ended December 31, 2001 for Metric System Corporation's parent company, Integrated Defense Technologies, Inc. and its subsidiaries, has been provided. An Audited Financial Statement for the year ended December 31, 2002 is not yet available. Financial Statements for the years prior to 2001 are not available due the fact that Metric Systems was previously a subsidiary of Techsim, Inc., a corporation that is no longer in existence.

The purpose of acquiring an ALEC certificate is to enable Metric Systems Corporation to install fiber optic cable in the right-of-way of the City Fort Walton Beach. The installation of this cable is necessary for Metric Systems Corporation to fully expand its operations into another manufacturing facility located across the street from its existing manufacturing complex. Metric Systems Corporation does not intend at this time to resell telecommunications services to the public. However, it does reserve the right to do so in the future. As demonstrated above, the financial, managerial, and technical expertise of Metric Systems Corporation is more than adequate to satisfy the requirements of the Commission.

c: 3844

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Integrated Defense Technologies, Inc.:

We have audited the accompanying consolidated balance sheets of Integrated Defense Technologies, Inc. (formerly PEI Electronics Holding Corp. and a wholly owned subsidiary of IDT Holding, L.L.C.) and subsidiaries as of December 31, 2000 and 2001, and the related consolidated statements of operations, stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amo statements. An audit also includes assessing the accounting principles used and significant estima evaluating the overall financial statement presentation. We believe that our audits provide a reaso

Attachment C
Metric Systems Corporation
Page 2 of 23

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Integrated Defense Technologies, Inc. and subsidiaries as of December 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Birmingham, Alabama
February 5, 2002

INTEGRATED DEFENSE TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2000	2001
	(In thousands except share and per share amounts)	
ASSETS		
Current assets:		
Cash	$ 4,938	$ 3,893
Restricted cash	5,924	769
Accounts receivable, net	97,331	113,863
Income tax receivable	2,784	—
Other receivables	2,104	325
Inventories, net	13,197	13,567
Prepaid expenses and other	868	1,703
Deferred income taxes	10,094	6,645
Total current assets	137,240	140,765
Property and equipment, net	50,735	45,548
Goodwill, net	83,130	83,734
Other assets	9,975	7,828
Deferred income taxes	3,815	—
Total Assets	$ 284,895	$ 277,875
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Revolving credit loan	$ 8,050	$ 8,500
Current portion of long-term debt	7,664	9,164
Accounts payable	12,613	14,802
Accrued compensation	8,778	8,317
Other accrued expenses	19,818	10,386
Derivative liabilities	—	5,568
Income taxes payable	—	644
Billings in excess of costs and earnings	5,141	8,743
Total current liabilities	62,064	66,124
Long-term debt	161,996	153,561
Deferred income taxes	—	245
Other liabilities	462	—
Pension and other postretirement employee benefits	5,789	6,675

Total liabilities	230,311	226,605
Stockholder's equity:		
Preferred stock, $.01 par value per share, 20,000,000 shares authorized, none issued	—	—
Common stock, $.01 par value per share, 200,000,000 shares authorized, 13,565,243 issued	136	136
Additional paid-in capital	54,434	54,434
Accumulated other comprehensive loss	—	(5,613)
Retained earnings	14	2,313
Total stockholder's equity	54,584	51,270
Total Liabilities and Stockholder's Equity	$ 284,895	$ 277,875

See notes to consolidated financial statements.

INTEGRATED DEFENSE TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	1999	2000	2001
	(In thousands except per share amounts)		
Revenue	$ 102,232	$ 180,573	$ 263,952
Cost of revenue	78,493	130,459	183,330
Gross profit	23,739	50,114	80,622
Selling, general and administrative expenses	8,098	20,543	34,830
Research and development and bid and proposal expenses	4,412	8,767	12,681
Amortization expense	3,151	5,823	7,110
Income from operations	8,078	14,981	26,001
Interest expense	5,233	10,064	19,437
Other income	—	—	403
Income before income tax expense and extraordinary loss	2,845	4,917	6,967
Income tax expense	1,699	3,386	4,668
Income before extraordinary loss	1,146	1,531	2,299
Extraordinary loss on early extinguishment of debt (net of income tax benefit of $1,078,000 (1999) and $566,000 (2000))	1,762	926	—
Net income (loss)	$ (616)	$ 605	$ 2,299
Earnings (loss) per share—basic:			
Income before extraordinary loss	$ .12	$ .14	$ .17
Extraordinary loss	(.18)	(.08)	—
Net income (loss)	$ (.06)	$ .06	$ .17

Earnings (loss) per share—diluted:			
Income before extraordinary loss	$ .11	$ .13	$ .15
Extraordinary loss	(.17)	(.08)	—
Net income (loss)	$ (.06)	$ .05	$ .15
Weighted-average shares outstanding:			
Basic	9,931,795	10,847,623	13,565,243
Diluted	10,376,267	12,117,367	15,327,938

See notes to consolidated financial statements.

INTEGRATED DEFENSE TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	1999	2000	2001
		(In thousands)	
OPERATING ACTIVITIES:			
Net income (loss)	$ (616)	$ 605	$ 2,299
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Extraordinary loss on early extinguishment of debt	1,762	926	—
Depreciation expense	2,116	6,851	10,776
Amortization expense	3,151	5,823	7,110
Deferred income taxes	568	3,239	5,109
Changes in assets and liabilities, net of the effects of business acquisitions:			
Restricted cash	—	(2,936)	5,155
Accounts receivable, net	(9,789)	(17,823)	(16,331)
Income tax receivable	(824)	(4,998)	2,784
Other receivables	—	(1,616)	2,662
Inventories, net	6,115	1,710	(370)
Other assets	(1,131)	(1,670)	(2,722)
Accounts payable	852	2,833	2,189
Billings in excess of costs and earnings	—	(425)	3,602
Other liabilities	2,958	(7,873)	(9,351)
Net cash provided by (used in) operating activities	5,162	(15,354)	12,912
INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(1,657)	(5,178)	(6,743)
Cash paid in connection with acquisitions, net of cash acquired and net of proceeds received from divested businesses	(53,632)	(105,460)	—
Net cash used in investing activities	(55,289)	(110,638)	(6,743)
FINANCING ACTIVITIES:			

Cash overdraft	(1,255)	—	—
Issuance of common stock and contributed capital from parent	17,000	20,500	—
Issuance of long-term debt, net	64,750	155,000	—
Repayment of long-term debt	(28,381)	(43,500)	(7,664)
Payment of debt issuance costs	(2,361)	(6,641)	—
Net borrowings under revolving credit loans	3,163	2,782	450
Net cash provided by (used in) financing activities	52,916	128,141	(7,214)
Net increase (decrease) in cash	2,789	2,149	(1,045)
Cash at beginning of period	—	2,789	4,938
Cash at end of period	$ 2,789	$ 4,938	$ 3,893
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ 4,626	$ 10,007	$ 18,381
Cash paid for income taxes	$ 1,319	$ 1,866	$ 756
Supplemental disclosure of noncash investing and financing activity:			
Issuance of common stock warrant	$ 3,391	$ 3,679	$ —
Unrealized loss on derivative financial instrument	$ —	$ —	$ (5,568)
Minimum pension liability adjustment	$ —	$ —	$ (3,485)

See notes to consolidated financial statements.

INTEGRATED DEFENSE TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained Earnings	
	Shares	Amount	Capital	Loss	(Deficit)	Total
	(In thousands except share amounts)					
Balance, January 1, 1999	9,931,795	$ 99	$ 9,901	$ —	$ 25	$ 10,025
Contributed capital from parent	—	—	17,000	—	—	17,000
Issuance of common stock warrant	—	—	3,391	—	—	3,391
Net loss	—	—	—	—	(616)	(616)
Balance, December 31, 1999	9,931,795	99	30,292	—	(591)	29,800
Issuance of common stock and contributed capital from parent	3,633,448	37	20,463	—	—	20,500
Issuance of common stock warrant	—	—	3,679	—	—	3,679
Net income	—	—	—	—	605	605
Balance, December 31, 2000	13,565,243	136	54,434	—	14	54,584
Comprehensive loss:						
Net income	—	—	—	—	2,299	2,299
Other comprehensive loss:						
Minimum pension liability adjustment, net of income tax benefit of $1,324,000	—	—	—	(2,161)	—	(2,161)

Cumulative effect of change in accounting principle, net of income tax benefit of $1,088,000	—	—	—	(1,775)	—	(1,775)
Unrealized loss on derivative instrument, net of income tax benefit of $1,696,000	—	—	—	(2,767)	—	(2,767)
Less reclassification adjustment for losses included in net income				1,090		1,090
Total comprehensive loss	—	—	—	—	—	(3,314)
Balance, December 31, 2001	13,565,243	$ 136	$ 54,434	$ (5,613)	$ 2,313	$ 51,270

See notes to consolidated financial statements.

INTEGRATED DEFENSE TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Company's equity sponsor, The Veritas Capital Fund, L.P., acquired PEI Electronics, Inc. ("PEI") on October 23, 1998 through a holding company called PEI Electronics Holding Corp. ("PEH"). PEI has served as the Company's foundation for acquiring other businesses. On July 20, 1999, PEH changed its name to Integrated Defense Technologies, Inc. ("IDT"), and on August 6, 1999, IDT Holding, L.L.C. was formed as the parent holding company of IDT.

On March 23, 1999, SierraTech, Inc. ("SierraTech"), a wholly-owned subsidiary of IDT, was incorporated and was inactive until August 6, 1999. On August 6, 1999, SierraTech acquired substantially all the assets and assumed certain liabilities of the Sierra Research ("Sierra") division of Sierra Technologies, Inc. and Zeta ("Zeta") division of Sierra Networks, Inc. (see Note 3).

On September 29, 2000, T-S Acquisition Corp. ("T-S Acquisition"), a wholly-owned subsidiary of IDT that was incorporated on June 25, 2000, acquired all of the outstanding common stock of Tech-Sym Corporation ("Tech-Sym") in a reverse merger transaction with Tech-Sym as the surviving corporation. Concurrent with this acquisition, two subsidiaries of Tech-Sym, TRAK Communications, Inc. ("TRAK") and CrossLink, Inc. ("CrossLink"), were sold to companies affiliated with IDT through common ownership. The remaining operating divisions of Tech-Sym include Metric Systems Corporation ("Metric") and its Continental Electronics division ("Continental"), and Enterprise Electronics Corporation ("Enterprise") (see Note 3).

IDT, along with its wholly-owned subsidiaries PEI, SierraTech, and Tech-Sym, is referred to herein as the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business—The Company presently operates in three business segments: Electronic Combat Systems, Diagnostics and Power Systems, and Communications and Surveillance Systems. See Note 12 for discussion of the nature of each of the Company's operating segments, including information about products and services provided and the classes of customers served.

Principles of Consolidation—The consolidated financial statements include the accounts of IDT and its wholly-owned subsidiary companies. All significant intercompany transactions and accounts have been eliminated in consolidation.

Accounting Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and determine whether contingent assets and liabilities, if any, are disclosed in the financial statements. The ultimate resolution of issues requiring these estimates and assumptions could differ significantly from the resolution currently anticipated by management and on which the financial statements are based.

Restricted Cash—Restricted cash consists of monies escrowed to secure certain letters of credit required under contracts with foreign governments and funds acquired in the acquisition of Tech-Sym Corporation.

Revenue—A substantial portion of the Company's revenue is accounted for under the percentage-of-completion method of accounting in which revenues are recorded for incurred costs, plus a portion of the profit expected to be realized. The amount of revenue recognized is the portion of the

total contract price that the cost expended to date bears to the anticipated total cost, based on current estimates of cost at completion. It is not related to progress billings to customers. The contract price includes all amounts currently under contract, including approved contract changes and the portion of authorized but unpriced contract changes for which the Company can reasonably estimate the value. Claims for equitable adjustments to contracts' value are recognized, to the extent of costs incurred, when realization is probable and amounts can be reliably estimated. Estimated costs at completion on long-term contracts are reviewed and revised periodically throughout the lives of the contracts, and adjustments to profit resulting from such revisions are recorded in the accounting period in which the revisions are made. Estimated losses on contracts are recorded in full as they are identified. Contract costs include direct material, labor and subcontract costs, and allocated indirect overhead.

The operating cycle of the Company is based on the lives of its individual contracts, which may extend beyond one year. Accordingly, all contract-related assets, including claims, and contract-related liabilities are classified as current assets or liabilities. A one year time period is used as the basis for classifying all other current assets and liabilities.

Shipping and Handling—Amounts billed to customers for shipping and handling costs are included in revenue in the consolidated statements of operations with the associated costs included as a component of cost of revenue.

Property and Equipment—Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is computed by using the straight-line method over the following estimated useful lives: buildings 30 to 45 years, machinery and equipment 5 to 12 years, and office equipment 3 to 10 years. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the estimated useful lives of the assets or the remaining term of the lease. The amortization periods for the Company's leasehold improvements currently range from 5 to 7 years.

Impairment of Long-Lived Assets—The Company periodically evaluates the carrying value of long-lived assets to be held and used, including goodwill and other intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from the asset is less than its carrying value. In such an event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset.

Income Taxes—Deferred income taxes are recorded for differences in the book and tax basis of assets and liabilities based on the tax rates and laws enacted as of the balance sheet date. The effects of future changes in tax laws or rates are not anticipated.

Research and Development—Research and development expenditures are expensed as incurred. Such expenditures were approximately $2,678,000, $6,987,000, and $6,054,000 for the years ended December 31, 1999, 2000, and 2001, respectively.

Goodwill—Goodwill is recorded when the consideration paid for a business acquisition exceeds the fair value of the identifiable net tangible and intangible assets acquired. The Company's goodwill is being amortized over a 15-year period using the straight-line method. Accumulated amortization of goodwill totaled approximately $7,634,000 and $13,899,000 at December 31, 2000 and December 31, 2001, respectively.

Billings in Excess of Costs and Earnings—Billings in excess of costs and earnings consists of amounts for which contract billings have been presented but goods and services required under the contracts have not yet been provided or revenue recognized.

Fair Value of Financial Instruments—The carrying values of the Company's receivables, accounts payable, billings in excess of costs and earnings and accrued expenses approximate fair values because of the short-term nature of these instruments. Additional fair value disclosures for interest-bearing debt and financial instruments is presented in Notes 7 and 8.

Derivative Financial Instruments—The Company uses derivative financial instruments, primarily interest rate swaps, to reduce financial market risks. The Company does not use derivative financial instruments for speculative or trading purposes. See Note 8.

Earnings (Loss) Per Share ("EPS")—The Company reports two separate earnings (loss) per share numbers, basic and diluted. Both are computed by dividing income (loss) before extraordinary loss and net income (loss) by the weighted-average common shares outstanding (basic EPS) and the weighted-average common shares outstanding assuming dilution (diluted EPS) as detailed below:

	Year Ended December 31,		
	1999	2000	2001
Weighted-average shares outstanding	9,931,795	10,847,623	13,565,243
Dilutive effect of warrants	444,472	1,269,744	1,762,695
Weighted-average shares, assuming dilution	10,376,267	12,117,367	15,327,938

Comprehensive Income (Loss)—Total comprehensive income (loss) is comprised primarily of net income (loss) and, for the year ended December 31, 2001, a minimum pension liability adjustment and an unrealized loss on a derivative financial instrument. See Notes 8 and 10.

Recent Accounting Pronouncements—In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), which will become effective for the Company in 2002. In accordance with the standard, effective first quarter 2002, goodwill will no longer be amortized and will be subject to annual impairment tests using a new fair value based approach. Other intangible assets, excluding those with indefinite useful lives, will continue to be amortized over their estimated useful lives. While the Company has not yet determined the impact of adopting SFAS 142, application of the goodwill non-amortization provisions of this standard is expected to result in an increase in pretax income of approximately $6,000,000 in 2002.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs and requires that the fair value of a liability for an asset retirement obligation be recorded in the period in which it is incurred. SFAS 143 will become effective for the Company in 2003, and management is currently evaluating the impact that SFAS 143 will have on its consolidated financial statements.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS 144 establishes a single accounting model for long-lived assets to be disposed of by sale. SFAS 144 will become effective for the Company in the first quarter of 2002. The Company currently reviews its long-lived assets on a regular basis and does not anticipate that the adoption of SFAS 144 will have a significant impact on its consolidated operating results or financial position.

Reclassifications—Certain reclassifications have been made to the previously reported consolidated financial statements to provide comparability with the December 31, 2001 presentation.

3. BUSINESS ACQUISITIONS

On September 29, 2000, T-S Acquisition, a wholly-owned subsidiary of IDT, acquired all of the outstanding common stock of Tech-Sym for a total purchase price of $186,372,000 paid in cash, including direct acquisition costs. Concurrent with this acquisition, the Company sold TRAK and CrossLink, two former subsidiaries of Tech-Sym, to a company affiliated with IDT through common ownership for $50,500,000. The acquisition was accounted for using the purchase method and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company's consolidated statements of operations include the results of operations of the acquired business from the acquisition date.

The components of the acquisition were as follows:

	(In thousands)
Fair value of assets acquired, including cash of $30,411,000	$ 135,019
Fair value of liabilities assumed	(37,243)

Goodwill		38,096
Purchase price, net of proceeds from divested businesses	$	135,872

In preparing the preliminary allocation of the purchase price, the Company estimated the income tax effects of the acquisition based on available information. In 2001, the Company finalized the income tax liabilities resulting in an approximate $6,000,000 increase to goodwill and the income tax liability accounts. The resolution of these income tax uncertainties have been accounted for in accordance with EITF 93-7, Uncertainties Related to Income Taxes in a Purchase Business Combination.

The following unaudited proforma consolidated results of operations for the years ended December 31, 1999 and 2000 have been prepared as though the acquisition occurred as of the beginning of those periods:

	Year ended December 31,	
	1999	2000
	(In thousand except per share amounts)	
Revenue	$ 199,842	$ 266,956
Loss before income tax expense and extraordinary loss	(4,585)	(1,147)
Extraordinary loss, net of income tax benefit of $720,000 in 1999 and $566,278 in 2000	(1,176)	(926)
Net loss	(3,953)	(6,040)
Loss per share (basic and diluted):		
Loss before extraordinary loss	$ (.28)	$ (.47)
Net loss	$ (.40)	$ (.56)

The unaudited pro forma consolidated results of operations have been prepared for comparative purposes only and do not purport to be indicative of the actual results that would have been achieved had the acquisitions taken place as of January 1, 1999 or in the future.

On August 6, 1999, SierraTech acquired substantially all of the assets and assumed certain liabilities of Sierra and Zeta for a total purchase price of $53,637,000 in cash (including direct acquisition costs). The acquisition was accounted for using the purchase method and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The Company's consolidated statements of operations include the results of operations of the acquired business from the acquisition date.

The components of the acquisition were as follows:

	(In thousands)
Fair value of assets acquired	$ 37,010
Fair value of liabilities assumed	(15,155)
Goodwill	31,782
Total purchase price	$ 53,637

The following unaudited proforma consolidated results of operations for the year ended December 31, 1999 have been prepared as though the acquisition occurred as of January 1, 1999:

(In thousands)

Revenue	$	128,931
Income before income tax expense and extraordinary loss		730
Extraordinary loss, net of income tax benefit of $1,078,000		(1,762)
Net loss		(1,271)
Earnings (loss) per share (basic and diluted) :		
Income before extraordinary loss	$	.05
Net loss	$	(.13)

The unaudited pro forma consolidated results of operations have been prepared for comparative purposes only and do not purport to be indicative of the actual results that would have been achieved had the acquisitions taken place as of January 1, 1999 or in the future.

4. ACCOUNTS RECEIVABLE

The following table shows the components of accounts receivable, which include unbilled receivables under both fixed-price and cost-reimbursement type contracts. Accounts receivable are composed of the following:

	December 31,	
	2000	2001
	(In thousands)	
Billed		
U.S. government and prime contractors	$ 14,028	$ 15,981
Foreign governments	5,850	3,215
Commercial	2,871	3,293
	22,749	22,489
Unbilled		
U.S. government and prime contractors	55,478	69,351
Foreign governments	15,943	20,585
Commercial	3,968	1,883
Total	98,138	114,308
Less allowance for doubtful accounts	807	445
Accounts receivable, net	$ 97,331	$ 113,863

Amounts included in unbilled receivables comprise earned contract amounts for which billings have not been presented. The requirements for billing are those commonly found in contracting situations, such as meeting contractual milestones. Substantially all amounts not billed at December 31, 2001, will be billed during 2002. It is also anticipated that substantially all billed and unbilled accounts receivable will be collected within one year.

Although it has a concentration of credit risk with the U.S. government, the Company has not historically experienced substantial collection losses on U.S. Government contracts. Also, the Company's foreign receivables are not subject to economic conditions that would subject the Company to unusual collection risk.

Requests for equitable adjustments to contract value are filed in the ordinary course of business. There were no significant contract claims outstanding at December 31, 2001.

The Company has no significant balances billed under retainage provisions or other items subject to uncertainty concerning their determination or ultimate resolution.

INTEGRATED DEFENSE TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. INVENTORIES

Inventories consist of the following:

	December 31,	
	2000	2001
	(In thousands)	
Stock materials	$ 16,879	$ 15,034
Work-in-process	2,925	2,397
Finished goods	1,139	458
Contracts-in-progress, net of progress payments of $5,706,000 and $187,000 at December 31, 2000 and 2001, respectively	1,820	3,126
	22,763	21,015
Less reserve for excess and obsolescence	9,566	7,448
Inventories, net	$ 13,197	$ 13,567

Stock materials, work-in-process and finished goods are stated primarily at the lower of first-in, first-out ("FIFO") cost or market.

Work-in-process and finished goods inventory consist primarily of standard electronic components for use in fulfilling future contracts.

Contracts-in-progress inventory relates to work in process under fixed-price contracts, primarily certain contracts that were entered into prior to August 6, 1999 (see Note 3) for which revenue and costs have been recognized as units have been delivered. Accumulated contract costs include direct production and engineering costs, factory and material handling overhead, research and development, and general and administrative expenses estimated to be recoverable, less the estimated portion of such costs allocated to delivered units.

To the extent total contract costs are expected to exceed the total estimated contract price, charges are made to current operations to reduce contracts-in-progress inventory to estimated realizable value.

In accordance with industry practice, contracts-in-progress inventory includes amounts relating to programs and contracts with long production cycles, a portion of which is not expected to be realized within one year.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	December 31,	
	2000	2001
	(In thousands)	
Land, buildings and leasehold improvements	$ 25,778	$ 22,108
Machinery and equipment	60,045	65,651
Office equipment	14,136	14,667

Construction-in-process	1,980	2,954
Total	101,939	105,380
Less accumulated depreciation and amortization	51,204	59,832
Total	$ 50,735	$ 45,548

7. REVOLVING CREDIT LOAN AND LONG-TERM DEBT

On September 29, 2000, the Company entered into a six year revolving credit and term loan agreement with various participating lenders which provides for a total credit facility of up to $170,000,000. Borrowings under the revolving credit facility are based on a borrowing base, as defined, and bear interest at the base rate or LIBOR plus an applicable margin ranging from 1.50% to 3.50% based on the Company's leverage ratio. At December 31, 2001, LIBOR loans outstanding under the revolving credit facility were $8,500,000, bearing interest at 5.13%. At December 31, 2000, base rate loans outstanding under this facility were $5,050,000, bearing interest at 11.75%, and LIBOR loans outstanding were $3,000,000, bearing interest at 9.96%.

The Company also has two term loans under the revolving credit and term loan agreement. Both term loans (term loan A and term loan B) bear interest at the base rate or LIBOR plus an applicable margin for each term loan ranging from 1.50% to 4.00%, based on the Company's leverage ratio. At December 31, 2001, outstanding balances under term loans A and B were $43,125,000 and $74,211,000 respectively, and the interest rates on such loans were 5.15% and 5.65%, respectively. At December 31, 2000, outstanding balances under term loans A and B were $50,000,000 and $75,000,000, respectively, and the interest rates on such loans were 9.83% and 10.33%, respectively. Term loans A and B are payable in graduated installments and mature on September 15, 2005 and September 15, 2006, respectively. At December 31, 2001 and 2000, the fair values of these borrowings approximated their carrying values based on the variable nature of the interest rates.

At December 31, 2001, the Company had a $45,390,000 senior subordinated note ($44,660,000 at December 31, 2000). The note has a face value of $51,250,000 and is reflected in the Company's consolidated balance sheets net of an unamortized discount of $5,860,000 at December 31, 2001 and $6,590,000 at December 31, 2000. The note bears interest at a stated rate of 12% per annum (15.1% effective interest rate) and matures on December 31, 2007. As a part of the subordinated debt agreement, the Company granted the lenders warrants to purchase 3,318 shares of its common stock. In addition, under the terms of the debt agreement, a warrant granted in 1999 to purchase 5,556 shares of common stock remains in full force and effect. The warrants are exercisable at any time at the option of the holder at $.01 per share for a period of ten years. The fair values of the warrants were estimated using the Black-Scholes option pricing model and are reflected in the accompanying consolidated financial statements as a debt discount and additional paid in capital. At December 31, 2001 and 2000, the fair value of the senior subordinated note approximated its carrying value and was estimated using a discounted cash flow analysis, based on the borrowing rate available to the Company for loans with similar terms and average maturities.

At December 31, 1999, the Company had a senior subordinated note of $18,056,000 (face value $21,250,000, net of unamortized discount of $3,194,000) which bore interest at a stated rate of 12% per annum (15.6% effective interest rate) and matured on December 31, 2006. On September 29, 2000, the Company substantially modified its 1999 subordinated note agreement and recognized an extraordinary loss in accordance with Emerging Issues Task Force Issue No. 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments*.

Subsequent to December 31, 2001, long term debt is scheduled to mature as follows:

	Term Loan A	Term Loan B	Subordinated Note	Total
	(In thousands)			
2002	$ 8,375	$ 789	$ —	$ 9,164
2003	11,250	789	—	12,039

2004	12,625	789	—	13,414
2005	10,875	18,405	—	29,280
2006	—	53,438	—	53,438
Thereafter	—	—	51,250	51,250
Total	43,125	74,210	51,250	168,585
Less unamortized discount	—	—	5,860	5,860
Less current portion	8,375	789	—	9,164
Long-term debt	$ 34,750	$ 73,421	$ 45,390	$ 153,561

Substantially all assets of the Company are pledged as collateral to secure its indebtedness.

The Company has various covenants under terms of its revolving credit loan, term loan and subordinated loan agreements, which include, among other things, limitations on capital expenditures, restriction of payment of dividends and maintenance of certain financial ratios. The Company was in compliance with these covenants at December 31, 2001.

The Company expects to refinance its existing revolving credit and term loan facility in the first quarter of 2002 with a new facility to be provided by a syndicate of financial institutions. This new facility is expected to provide financing of up to $125,000,000, consisting of a $40,000,000 five-year revolving credit facility, a $40,000,000 five-year term loan, and a $45,000,000 six-year term loan.

8. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses interest rate swaps to manage risk from interest rate fluctuations associated with its variable rate debt. In October, 2000, the Company entered into three interest rate swap agreements with notional amounts of $25,000,000, $10,000,000, and $60,000,000. These interest rate swap agreements terminate in October 2003, October 2005, and December 2005, respectively. Under the agreements, the Company pays fixed interest rates ranging from 6.39% to 6.75%, and receives a variable rate of interest from the holders of the agreements based on LIBOR rates. The difference in the pay and receive rates of interest is charged or credited to interest expense as incurred. LIBOR at December 31, 2001 was approximately 1.74%. In 2000, the swap agreements reduced interest expense by $75,000, and in 2001, they increased interest expense by $1,758,000.

On January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, ("SFAS 133) which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Upon adoption of SFAS 133, the Company's interest rate swaps were designated as highly effective cash flow hedges. Accordingly, the Company recognized a one-time after-tax transition adjustment to increase other comprehensive loss by $2,863,000 ($1,775,000 net of income tax benefit), the fair value of the interest rate swaps at January 1, 2001. In accordance with SFAS 133, this transition adjustment has been reflected as a cumulative effect

of change in accounting principle, net of income taxes, in the accompanying consolidated statement of changes in stockholder's equity for the year ended December 31, 2001. No cash flow hedges were discontinued, and there was no impact to earnings due to hedge ineffectiveness during the year ended December 31, 2001. At December 31, 2001, the swap agreements had a fair value of $7,326,000 ($4,542,000 net of tax benefit), representing the approximate cost to the Company of terminating the agreements as of that date.

9. INCOME TAXES

Provision (benefit) for income taxes consist of:

	Year ended December 31,		
	1999	2000	2001
		(In thousands)	

Current:			
Federal	$ 981	$ 236	$ (376)
State	150	(89)	(65)
Total current	1,131	147	(441)
Deferred:			
Federal	378	2,823	4,483
State	190	416	626
Total deferred	568	3,239	5,109
Total provision before extraordinary loss	1,699	3,386	4,668
Federal and state benefit from extraordinary loss	(1,078)	(566)	—
Total provision for income taxes	$ 621	$ 2,820	$ 4,668

Total income tax expense differs from the amount that would be computed by applying the statutory federal income tax rate of 35% to income before income taxes and extraordinary loss. The reasons for this difference are as follows:

	Year ended December 31,		
	1999	2000	2001
		(In thousands)	
Tax at U.S. federal statutory rate	$ 967	$ 1,672	$ 2,438
Goodwill amortization	587	937	1,359
State income taxes, net of federal benefits	127	261	632
State tax credit	—	437	—
Non deductible expenses	7	36	148
Other	11	43	91
	$ 1,699	$ 3,386	$ 4,668

Deferred tax assets and liabilities are based on the expected future tax consequences of temporary differences between the book and tax income. The approximate tax effects of temporary differences were as follows:

	December 31,	
	2000	2001
	(In thousands)	
Deferred tax assets:		
Goodwill	$ 412	$ 402
Inventory reserve	3,468	3,110
Nondeductible:		
Contractual reserves	1,830	240
Expenses and other reserves	7,182	3,166
Unrealized loss on derivative instruments	—	2,116
Unfunded pension liability	—	1,324

General business credit	2,303	618
Alternative minimum tax credit	155	297
Net operating loss carryforward	5,357	3,286
	20,707	14,559
Deferred tax liabilities:		
Basis difference in fixed assets	5,564	5,844
Prepaid expenses	65	84
Pension asset	708	1,153
Percentage of completion	461	1,078
	6,798	8,159
Net deferred tax asset	$ 13,909	$ 6,400

Additionally, the Company has federal and state net operating loss carryforwards of $8,190,000 and $7,000,000, respectively. The net operating loss carryforwards will expire between 2018 and 2021. The Company also has a credit for alternative minimum taxes of $297,000 which does not expire.

The above amounts are classified in the consolidated balance sheets as follows:

	December 31,	
	2000	2001
	(In thousands)	
Net current asset	$ 10,094	$ 6,645
Net noncurrent asset (liability)	3,815	(245)
Net deferred tax asset	$ 13,909	$ 6,400

In the opinion of management, it is more likely than not that the deferred tax assets will be realized. As such, no valuation reserve is considered necessary.

10. BENEFIT PLANS

Defined Benefit Pension Plans—Substantially all hourly and salaried employees of PEI are covered by two noncontributory pension plans. The plans provide normal retirement benefits based on years of credited service and applicable benefit units as defined by the plans. The plans' assets consist

principally of investments in balanced mutual funds, which are composed of 50% equity investments and 50% fixed income investments. Participants do not contribute to the plan. PEI's pension plan for salaried employees was amended such that plan participation for new employees was frozen as of July 1, 2000.

Sierra also has a defined benefit pension plan covering certain of its employees. The plan provides for normal retirement benefits based on years of service and average compensation for certain years of employment. Sierra amended the plan in 1992 to terminate the accrual of additional benefits for current participants and preclude additional participants from entering the plan.

The Company makes contributions to its defined benefit pension plans in amounts necessary to satisfy the minimum funding requirements of ERISA. Information regarding the plans for the three years ended December 31, 2001 is as follows:

	1999	2000	2001
		(In thousands)	
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$ 632	$ 25,752	$ 27,214
Service cost	348	444	88
Interest cost	844	1,977	1,954
Amendments	—	23	—
Actuarial gain (loss)	(1,130)	1,199	683
Benefits paid	(934)	(2,181)	(2,184)
Business combinations	25,992	—	—
Projected benefit obligation at end of year	$ 25,752	$ 27,214	$ 27,755
Change in plan assets:			
Fair value of plan assets at beginning of year	$ 28,253	$ 29,472	$ 29,504
Actual return on plan assets	1,413	1,897	(50)
Employer contribution	740	316	53
Benefits paid	(934)	(2,181)	(2,253)
Fair value of plan assets at end of year	$ 29,472	$ 29,504	$ 27,254
Funded status at end of year	$ 3,720	$ 2,290	$ (500)
Unrecognized prior service cost	—	—	—
Unrecognized net actuarial gain (loss)	(1,450)	522	3,485
Net amount recognized	$ 2,270	$ 2,834	$ 2,985
Amounts recognized in consolidated balance sheets consist of—			
Prepaid benefit cost	$ 2,270	$ 2,834	—
Accrued benefit cost	$ —	$ —	$ (500)
Accumulated other comprehensive loss, net of income tax benefit of $1,324	$ —	$ —	$ 2,161

Prepaid benefit costs are included in "Other Assets" in the Company's consolidated balance sheets.

The components of net periodic pension cost (benefit) and the assumptions used in the determination of net pension benefit costs and benefit obligations are as follows:

	Year ended December 31,		
	1999	2000	2001
		(In thousands)	
Service cost	$ 348	$ 444	$ 88
Interest cost	844	1,977	1,954
Expected return on plan assets	(1,034)	(2,430)	(2,415)
Amortization of unrecognized prior service cost	—	1	1
Amortization of unrecognized net actuarial loss	—	11	2
Net periodic pension cost (benefit)	$ 158	$ 3	$ (370)

• Weighted-average assumptions:			
Discount rate	7.0%-8%	7.5%	7.0%-7.25%
Expected return on plan assets	8.5%-9.0%	8.5%-9%	8.5%-9%

Defined Contribution Pension Plans—On July 1, 2001, the defined contribution plans of PEI and Sierra were merged into a single plan, the Integrated Defense Technologies Savings Plan ("IDT Savings Plan"), a defined contribution plan qualified under Section 401(k) of the Internal Revenue Code. On December 1, 2000, the employees of Metric and Enterprise also began participating in the plan.

Eligible employees of the Company are allowed to contribute a certain percentage of their base pay on a tax-deferred basis to the plan (subject to certain limitations), and the Company matches a portion of such amount on the participant's behalf. The Company's contributions to the plan, and to the predecessor plans of PEI, Sierra, Metric and Enterprise, totaled approximately $507,000, $1,053,000, and $2,940,000 for the years ended December 31, 1999, 2000, and 2001, respectively.

Postretirement Health Care and Other Employee Benefits—Sierra provides health care and other insurance benefits for substantially all active and retired employees and for certain other inactive employees. In accordance with SFAS No. 106, Employers' Accounting for Postretirement Benefits Other than Pensions, Sierra accrues the costs of such benefits over the period in which active employees become eligible under the existing plans.

Information regarding Sierra's postretirement benefit plans for the three years ended December 31, 2001 is as follows:

	1999	2000	2001
		(In thousands)	
Change in benefit obligation:			
Benefit obligation at beginning of year	$ —	$ 5,453	$ 5,435
Service cost	30	53	49
Interest cost	175	399	381
Actuarial loss	(282)	(72)	(32)
Benefits paid	(164)	(398)	(440)
Business combinations	5,694	—	—
Benefit obligation at end of year	$ 5,453	$ 5,435	$ 5,393
Change in plan assets:			
Fair value of plan assets at beginning of year	$ —	$ —	$ —
Actual return on plan assets	—	—	—
Employer contribution	164	398	440
Benefits paid	(164)	(398)	(440)
Fair value of plan assets at end of year	$ —	—	—
Funded status at end of year	$ 5,493	$ 5,435	$ 5,392
Unrecognized net actuarial gain	242	354	387
Net amount recognized	$ 5,735	$ 5,789	$ 5,779
Amounts recognized in consolidated balance sheets consist of—			
Accrued benefit cost	$ 5,735	$ 5,789	$ 5,779

The components of net periodic postretirement benefit cost and the assumptions used in the determination of postretirement benefit costs and benefit obligations are as follows:

	Year ended December 31,		
	1999	2000	2001
	(In thousands)		
Service cost	$ 30	$ 53	$ 49
Interest cost	175	399	381
Expected return on plan assets	—	—	—
Net periodic postretirement benefit cost	$ 205	$ 452	$ 430
Weighted-average assumptions:			
Discount rate	7.5%	8.0%	7.25%
Expected return on plan assets	—	—	—

Preretirement Health Benefits—Sierra provides health benefits, primarily disability coverage, for certain inactive employees not covered under existing Sierra insurance policies. In accordance with SFAS No. 112, *Employers' Accounting for Post-employment Benefits*, Sierra accrues the cost of such benefits in the period in which inactive employees become eligible for such benefits.

Incentive Compensation Plan—The Company has an incentive compensation plan in which certain officers and other key employees are selected to participate by the Board of Directors. The plan

provides for additional compensation to be paid based on a formula which considers Company income and asset performance. Incentive compensation charged to operations was $675,000, $1,044,000, and $1,003,000 for the years ended December 31, 1999, 2000, and 2001, respectively.

11. COMMITMENTS AND CONTINGENCIES

Operating Leases—The Company has noncancelable operating leases primarily for office and manufacturing equipment.

Future minimum lease payments required under noncancelable operating leases at December 31, 2001 are as follows:

(In thousands)	
2002	$ 5,077
2003	4,497
2004	4,202
2005	4,036
2006	4,058
Thereafter	2,138
	$ 24,008

Total rent expense for all operating leases was $2,240,000, $3,663,000, and $4,935,000 for the years ended December 31, 1999, 2000 and 2001, respectively.

Letters of Credit—At December 31, 2001, the Company had outstanding letters of credit of approximately $14,332,000, relating primarily to contracts with foreign governments.

Claims and Legal Proceedings—Various claims and legal proceedings have been or may be asserted or instituted against the Company in the ordinary course of business. In addition, many of the Company's contracts are subject to final negotiation or adjustment with the customer in the ordinary course of business. Although the ultimate cost of these matters cannot be predicted with certainty, management does not expect them to have a material adverse effect on the consolidated financial position of the Company.

INTEGRATED DEFENSE TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. COMMITMENTS AND CONTINGENCIES (Continued)

In July 2000, prior to its acquisition by the Company, Tech-Sym Corporation received a Section 104(e) Request for Information from the National Park Service ("NPS") pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") regarding a former uranium mine site located in the Grand Canyon. Tech-Sym Corporation's predecessor operated this uranium mine from 1956 to 1967. In 1962, the land was sold to the U.S. government, although the mining rights for the next twenty-five years were retained. Tech-Sym Corporation sold the mining rights in 1967, and the Company believes that the mine was operated until approximately 1972. The Company believes that there are several other companies in the chain of title to the mining rights subsequent to Tech-Sym and, accordingly, that there are several other potentially responsible parties, ("PRPs"), for the environmental conditions at the site, including the U.S. Government as owner of the land. The NPS has not yet made a demand on IDT, nor to our knowledge on any other PRP, nor has it listed the site on the National Priority list of contaminated sites. The Company has retained a technical consultant in connection with this matter and has evaluated and been in communication with NPS regarding actions that may be required by all PRPs. The Company cannot at present determine the ultimate financial implications of this matter, but does not believe the total costs of the matter will be material based on its knowledge of current facts and circumstances.

12. SEGMENT INFORMATION

The Company's business presently consists of three operating segments: Electronic Combat Systems, Diagnostics & Power Systems, and Communications & Surveillance Systems. These reportable segments are defined primarily by their economic characteristics, the nature of their products and services, and by their class of customer. As further described in Notes 1 and 3, the Company has been built upon significant acquisitions of business entities that occurred in 1999 and 2000. Since the business entity acquisitions spanned the years 1999 and 2000 and addressed two of the Company's three operating segments, the Company did not operate in each business segment in full in 1999 and 2000.

The Electronic Combat Systems segment designs, integrates, manufactures, and sells electronics and avionics equipment primarily to the U.S. Government for military, civil and governmental uses, and designs, manufactures and supports advanced test and evaluation systems, rangeless air combat training systems, threat simulation equipment, high power transmitters, and control subsystems for both guided bombs and missile launching systems for the U.S. Department of Defense, major defense prime contractors and foreign government defense agencies.

The Diagnostics & Power Systems segment is a contractor primarily to the U.S. government and foreign governments, and designs, manufactures and supports test equipment, vehicle electronics systems and energy management systems primarily for military combat vehicle applications.

The Communications & Surveillance Systems segment designs and manufactures meteorological surveillance and analysis systems, more commonly known as Doppler weather radar systems, and designs and produces advanced electronics systems, subsystems, components and radio transmission products for the defense, aerospace and communications industries for U.S. and foreign government agencies and commercial customers.

The Company acquired its Metric Systems, Enterprise Electronics, and Continental Electronics businesses through its acquisition of Tech-Sym. Metric Systems' products were complimentary to those provided previous to that by the Company's business ("Sierra") within the Electronic Combat Systems segment. Similarly, Enterprise Electronics' and Continental Electronics' products were complimentary to the Company's existing Communications and Surveillance Systems segment business ("Zeta"). The businesses acquired and retained in the Tech-Sym acquisition were selected because of the complimentary nature of their products, and that is and was the basis for assigning those businesses to the Company's existing segments.

The Company evaluates performance of the operating segments based on revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA"). The accounting policies of the operating segments are consistent across segments and are the same as those described for the Company as a whole in Note 2. Sales between the operating segments are insignificant. IDT corporate expenses are allocated in full to the segments on the basis of relative employment, revenue, and selected assets. IDT corporate assets are included in "All other" in the following table.

The following table sets forth revenue for each of the Company's operating segments, together with other financial information related to EBITDA, depreciation and amortization expense and capital expenditures attributable to the operating segments, for the three years ended December 31, 2001.

	Year Ended December 31,		
	1999	2000	2001
		(In thousands)	
Revenues from Unaffiliated Customers:			
Electronic Combat Systems	$ 32,466	$ 84,344	$ 130,139
Diagnostics & Power Systems	60,282	60,207	72,201
Communications & Surveillance Systems	9,484	34,836	60,426
All other	—	1,186	1,186
Total	$ 102,232	$ 180,573	$ 263,952
Other Financial Information:			
EBITDA:			
Electronic Combat Systems	$ 4,131	$ 14,755	$ 28,012
Diagnostics & Power Systems	8,145	8,262	9,748
Communications & Surveillance Systems	1,069	3,920	6,282
All other	—	718	(155)
Total	$ 13,345	$ 27,655	$ 43,887
Depreciation and amortization expense:			
Electronic Combat Systems	$ 1,603	$ 7,334	$ 11,994
Diagnostics & Power Systems	3,380	3,659	3,582
Communications & Surveillance Systems	284	1,759	3,713
All other	—	(78)	(1,403)
Total	$ 5,267	$ 12,674	$ 17,886
Capital expenditures:			
Electronic Combat Systems	$ 556	$ 1,857	$ 3,575
Diagnostics & Power Systems	1,008	2,075	1,799
Communications & Surveillance Systems	93	1,224	1,327
All other	—	22	42
Total	$ 1,657	$ 5,178	$ 6,743

EBITDA is not a presentation made in accordance with accounting principles generally accepted in the United States, and as such, it should not be considered in isolation or as a substitute for net income, cash flows from operating activities or other income of cash flow statement data prepared in accordance with accounting principles generally accepted in the United States or as a measure of

profitability or liquidity. The Company monitors EBITDA by segment to determine each segment's ability to satisfy its debt service, capital expenditure and working capital requirements and because certain covenants in the Company's senior secured credit facility are based upon similar measures. The Company's EBITDA is not necessarily comparable to other similarly titled captions used by other companies. A reconciliation of the Company's EBITDA to Income before income tax expense and extraordinary loss is presented in the table below.

Reconciliation of EBITDA to Income before income tax expense and extraordinary loss:

	Year Ended December 31,		
	1999	2000	2001
		(In thousands)	
EBITDA	$ 13,345	$ 27,655	$ 43,887
Less: Depreciation and amortization expense	5,267	12,674	17,886
Interest expense	5,233	10,064	19,437
Add back other income	—	—	403
Income before income tax expense and extraordinary loss	$ 2,845	$ 4,917	$ 6,967

Revenues from the U.S. government were approximately $69,800,000 (68% of revenue), $107,200,000 (59% of revenue), and $160,771,000 (61% of revenue) in 1999, 2000 and 2001, respectively. These revenues are attributed primarily to the Electronic Combat Systems and Diagnostics and Power Systems segments. The U.S. government was the only customer accounting for more than 10% of consolidated revenue in any of the periods presented.

The following table presents total assets for each of the Company's operating segments as of December 31, 2000 and 2001.

	December 31,	
	2000	2001
	(In thousands)	
Total assets:		
Electronic Combat Systems	$ 158,104	$ 156,896
Diagnostics & Power Systems	45,970	52,056
Communications & Surveillance Systems	69,153	70,497
All other	11,668	(1,574)
Total	$ 284,895	$ 277,875

The Company operates and generates its revenues primarily in the United States. The following table presents revenues from unaffiliated customers by geographic area for each of the three years in the period ended December 31, 2001 and long-lived assets by geographic area at December 31, 2000 and 2001. For purposes of this presentation, revenues are attributed to geographic area based on customer location. Long-lived assets include property and equipment, goodwill, noncurrent deferred income taxes and other noncurrent assets.

	Year ended December 31,		
	1999	2000	2001
		(In thousands)	
Revenue from Unaffiliated Customers:			
U.S.	$ 95,359	$ 157,266	$ 204,617
International	6,873	23,307	59,335

Total	$ 102,232	$ 180,573	$ 263,952

	December 31,	
	2000	2001
	(In thousands)	
Long-lived assets:		
U.S.	$ 135,670	$ 121,152
International	11,985	15,958
Total	$ 147,655	$ 137,110

13. RELATED PARTY TRANSACTIONS

The Company pays its ultimate parent company, Veritas Capital Management, L.L.C., an annual management fee. This fee was $450,000, $675,000, and $900,000 for 1999, 2000, and 2001, respectively. The Company was not indebted to its parent at December 31, 2000 or 2001. In addition, in connection with the business acquisitions described in Note 3, the Company paid transaction fees to The Veritas Capital Fund, L.P. in the amounts of $1,040,000 and $3,000,000 in 1999 and 2000, respectively.

William G. Tobin, a member of our board of directors and audit committee, is a Managing Director and Chairman of the Defense and Aerospace practice of Korn/Ferry International, an executive search firm. The Company has contracted with Korn/Ferry to handle its search for a Chief Operations Officer and estimates that the associated fees will be in the range of $125,000 to $150,000. In January 2002, the Company made its first installment payment to Korn/Ferry in the amount of $47,600.

14. SUBSEQUENT EVENT

On February 5, 2002, the Company's Board of Directors approved a 198.6359 to 1 common stock split. All share and per share amounts have been restated to reflect the stock split for all periods presented.