

# 2001 Annual Report



*Electronic Warfare*



*Communications*



*Imaging*



# Corporate

An industry leader providing cutting edge technology applications & cost-effective solutions for over three decades.

## Our Mission

We are committed to creating value for our stakeholders: *Our customers*—who entrust us with their business. *Our employees*—who create our value-added process. *Our stockholders*—who invest their dollars in us.

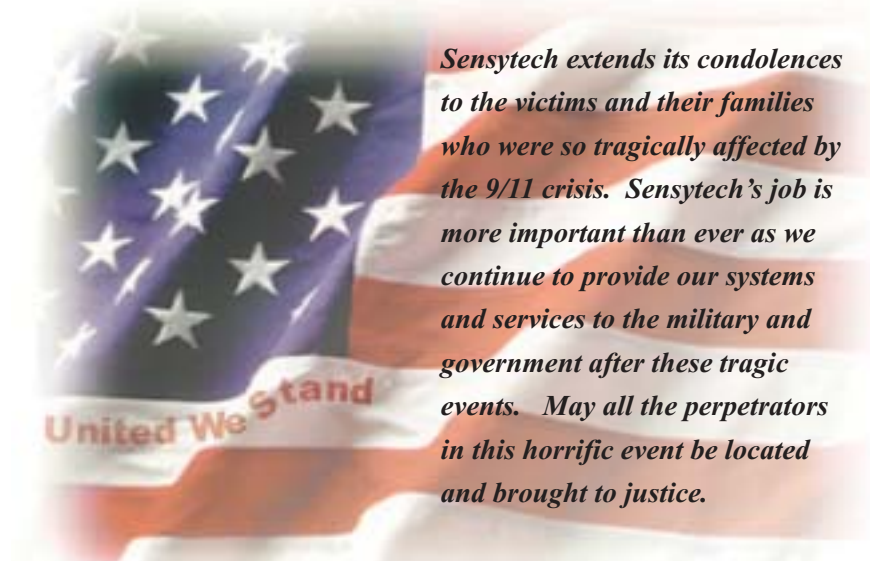
Teamwork is the cornerstone for meeting our commitments: To *our customers*—with quality products and services delivered on time. To *our employees*—with challenging work and rewarding careers. To *our stockholders*—with share value enhancement.

## Our Focus

Sensytech provides services and state-of-the-art total system solutions across the electromagnetic spectrum for electronic warfare applications, communications intercept, and airborne imaging.

Sensytech is a technology leader in system design, software development, and hardware manufacture of electronic reconnaissance, satellite ground receiving, communications equipment, ESM, ELINT and threat warning, threat simulation, electronic countermeasures, and radar simulator systems, multispectral IR scanners, and digital imaging equipment to worldwide markets.

**9/11**



*Sensytech extends its condolences to the victims and their families who were so tragically affected by the 9/11 crisis. Sensytech's job is more important than ever as we continue to provide our systems and services to the military and government after these tragic events. May all the perpetrators in this horrific event be located and brought to justice.*

# To Our Shareholders

The impact of September 11<sup>th</sup> on our business has been significant and poses potential growth prospects beyond our planning expectations.

To Our Shareholders:

The 2001 fiscal year ended with revenues and profits less than planned as we moved through the transition period. The only relevant factor in this period was the delay in the anticipated timing of foreign contract awards in all three segments of our enterprise.

The most significant delay came from an award still pending for an international Electronic Warfare (EW) contract by the Egyptian Navy. Our company was selected by the Egyptian Navy and by the U.S. prime contractor to provide the Electronic Support Measures (ESM) and Electronic Countermeasures (ECM) systems for the Fast Missile Craft program, which is funded by the U.S. Government under the Foreign Military Funding (FMF) agreement. The prime contractor was awarded this contract in January 2001 and subsequently filed bankruptcy in April 2001 for reasons unrelated to this contractual activity. The bankruptcy and renegotiations were made more complex by the September 11<sup>th</sup> events which have delayed this large multi-year contract from beginning as originally anticipated in the fourth quarter of the just completed year.

In our Imaging Group we were awarded a contract in September 2000 that required IMF funding which took twelve months to complete. This contract was started and then put on hold for nine months until the funding issues were resolved. It is now in full process and will add to our FY2002 performance.

In the Communications Group our business performed as planned except for the delay in awards for contracts negotiated in Turkey where a major currency problem deferred many international contract programs. These deferrals have since been resolved and all the contracts have been signed to be completed in our present fiscal year.

From a strategic perspective we have maintained our planned efforts and believe that our focus on our competitive strengths should lead to revenue growth and improved profitability in future years. While we experienced program delays which have taught us to revisit our planning cycle estimates for foreign and domestic programs, we have not lost any anticipated work competitively.

The impact of September 11<sup>th</sup> on our business has been significant and poses potential growth prospects beyond our planning expectations. Demand in our Communications Group has been exceptional from both domestic and foreign

## To Our Shareholders

customers. Our products and services are well suited to a variety of customer applications in communications usage relating to terrorism surveillance. In our Electronic Warfare (EW) Group our systems offer clear defensive enhancements for military applications on naval, ground and airborne platforms. Increased demand for our systems has been well evidenced, but no clear order processing will be accomplished until the 2002 Federal Government budget is approved. EW program acquisition generally takes longer to complete and may result in multi-year contracts while the Communications Group contracts are much shorter in cycle time for customer delivery.

Our Imaging Group has a record backlog as we enter FY2002 and should experience substantial revenue and profit performance growth in this year. We are presently adding personnel to our Ann Arbor facility to meet increased demand for imaging hardware from a variety of international customers.

With our strategic efforts appearing to be in focus for our business growth and performance we are now focusing on some acquisition opportunities to further support our customers' requirements. In this regard, on October 2, 2001, we acquired a business unit located in Camarillo, California, which provides active countermeasures against radar guided threats and training simulator pods. This will permit us to expand our systems capabilities for our EW customers based worldwide. We are examining other related acquisitions as we move into our new fiscal year.

While our FY2001 year was less than planned for the aforementioned reasons it was still a year of accomplishment and modest success in performance management during a year of reduced revenues. Our efforts are still focused on completing our transition to a more international provider and all market indications still suggest that this strategy will lead us to record revenues and profitabilities in the years to come.

I wish to thank our employees and our shareholders for their support and enthusiasm as we move to this new level of performance in the coming year.



---

S. Kent Rockwell, Chairman, CEO, President



# Electronic Warfare

Electronic Support Measures (ESM),  
Electronic Intelligence (ELINT) and  
Threat Warning

The Electronic Warfare Group provides wideband ESM, ELINT, and threat warning systems using ultra-wideband, channelized, and superheterodyne technologies. These systems are suitable for installation on submarines, surface ships, aircraft, and land-based platforms.

## ESM and ELINT Systems

- Advanced Signal Processing Handles ALL Modern Signals
- Fine Grain Signal Analysis
- 100% Probability of Intercept
- Zero False Alarms
- Tactical ESM and ELINT
- Rapid Response



Active  
Threat  
Simulation

ASD provides system design, software development, hardware manufacture, and support of threat simulation, electronic countermeasure and radar simulator systems to worldwide markets.

The threat simulation equipment realistically simulates an electromagnetic environment to provide the EW testing and training simulations required to ensure that ship and air weapons and crews are prepared to counter the electromagnetic threats of today and tomorrow.

ASD threat simulators are modular in design and can be used in numerous applications. The threat simulators can also be installed in a pod that can be used on virtually any aircraft.



Integrated  
EW  
Systems

By combining our state-of-the-art ESM, ELINT and threat warning systems with a high power jammer, Sensytech has achieved a modern electronic warfare system suitable for small, medium, and large naval combatants and larger aircraft.



# Communications

Worldwide  
Turnkey  
Installations

The Communications Group provides rapid, cost-effective solutions to customer requirements. We have developed a family of COTS satellite communications intercept equipment, custom microminiature electronic hardware, RF transmitters and receivers, antennas, tracking and location systems, an in-house graphic arts capability, and a variety of custom DSP and GUI software applications.



## Custom Solutions

- Communications Signal Intercept
- Digital Signal Processing
- Software Development
- Miniature Transceivers
- QRC Engineering



# Imaging

The Imaging Group provides airborne multispectral, thermal infrared, and hyperspectral scanners and digital cameras; remote sensor image processing, interpretation and analysis; laser search and rescue systems; and a cost-effective imaging service for sensor data end users.



Airborne  
Applications  
Worldwide

## Applications

- Environmental Monitoring
- Remote Sensor Image Processing
- Airborne Data Collection
- Coastal Patrol
- Civil Engineering





Issuer's revenues for the fiscal year ended September 30, 2001 were \$16,391,000. As of December 4, 2001, there were 4,006,078 shares of the Registrant's Common Stock, par value \$.01 per share, outstanding. The aggregate market value of the voting and non-voting shares of the Common Stock held by non-affiliates and outstanding as of December 4, 2001, was \$24,437,075. This amount was computed using the average bid and ask price as of December 4, 2001, as reported on the National Association of Securities Dealers, Inc. OTC Bulletin Board.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Part III information will appear in the Registrant's Proxy Statement in connection with its 2002 Annual Meeting of Stockholders. Such information will be incorporated by reference as of the date of the filing of such Proxy Statement.

Transitional Small Business Disclosure Format (check one):

Yes

No

**SENSYTECH, INC. AND SUBSIDIARY**  
**FORM 10-KSB ANNUAL REPORT**  
**For the Fiscal Year Ended September 30, 2001**

---

**TABLE OF CONTENTS**

<u><b>Item No.</b></u>	<u><b>Page No.</b></u>
<b><u>PART I</u></b>	
1. Business .....	4
2. Properties.....	8
3. Legal Proceedings.....	8
4. Submission of Matters to a Vote of Security Holders .....	8
<b><u>PART II</u></b>	
5. Market for the Registrant’s Common Stock and Related Security Holder Matters .....	9
6. Management’s Discussion and Analysis of Financial Condition and Results of Operations.....	9
7. Financial Statements and Supplementary Data.....	11
8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures .....	11
<b><u>PART III</u></b>	
Part III, Items 9 through 12, information will appear in the Registrant’s Proxy Statement in connection with its 2002 Annual Meeting of Stockholders. Such Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A, and such information will be incorporated herein by reference as of the date of such filing .....	12
13. Exhibits and Reports on Form 8-K .....	13
SIGNATURES .....	14

## PART I

### Item 1. Business

#### *General Overview*

Sensytech, Inc. (also referred to as the "Company" and formerly known as Sensys Technologies Inc.), a Delaware corporation, is the successor company to Daedalus Enterprises, Inc. ("DEI") which was organized in 1968, and S.T. Research Corporation ("STR") which was organized in 1972. On June 9, 1998, STR acquired DEI (the "Acquisition"), and as a result of this overall transaction, Sensytech, Inc. was organized. The transaction was accounted for as a reverse acquisition. As a result of the Acquisition, the outstanding STR shares were converted into approximately 86.5% of the issued and outstanding shares of DEI. In connection with the Acquisition, the DEI shareholders voted to amend the DEI Certificate of Incorporation to change the name of DEI to Sensys Technologies Inc. and to increase the Company's authorized shares from 2,000,000 to 5,000,000. On September 16, 1999, the Company adopted its present name.

The Company defines, designs, develops and manufactures systems and equipment for integrated passive surveillance systems, electronic countermeasures, and simulator systems for military and commercial customers. Signals of interest within the electromagnetic spectrum are intercepted by the Company's products. Pertinent information is then evaluated by the products or otherwise, and the relevant situation is assessed by the user. Signals of interest may include radio waves, microwaves, infrared and light; the signals may be intentional, under the control of the emitting system as in radar or communication, or unintentional.

#### *Basic Products and Services*

The Company operates in the passive surveillance and countermeasures market for domestic and international clients. The Company's systems are globally applicable to the defense markets and their allied information agencies for land, air, and sea-based applications. The Company believes that its passive surveillance and countermeasures products and services are among the best in the world. The Company's goal is to provide its customers with total system surveillance solutions across the electromagnetic spectrum, using products manufactured by it and by others. The Company is customer-focused by providing tailored solution-based systems as follows:

- Electronic Warfare (EW) Group designs, develops, and supports products which intercept, analyze, classify, identify, localize and track microwave signals from radars and weapons. The Company's Electronic Support Measure (ESM) systems are used on military platforms, such as ships, submarines, patrol aircraft, and at ground installations, to intercept, analyze and identify radar/weapon signals. Where the client desires to obtain electronic countermeasures for these potential threats, the Electronic Warfare Group provides integrated Electronic Countermeasures (ECM) systems for both tactical and training scenarios.
- Communication (Comms) Group designs, develops, and supports products which intercept signals, analyze the on-line communication, and identify and localize the involved parties. These systems are generally employed in aircraft, ships and ground installations to intercept transmissions occurring over established communications networks.
- Imaging Group designs, develops, and supports products for multispectral, infrared, and light imaging systems which are employed on land and on aircraft for the remote sensing of damage assessment, environmental pollution, facility inspection, utility monitoring, and situation awareness.

All three business segments offer applicable system engineering services which provide concept studies, system definition and services to aid in specification of customer requirements. These activities are performed for either present or prospective customers and are principally undertaken to assist the customer in

the procurement of major integrated passive surveillance systems and where applicable, active electronic countermeasures.

Manufacturing of the Communications Group and Electronic Warfare Group systems is accomplished from the Newington facility. The Imaging Group products are manufactured in the Ann Arbor, Michigan, facility.

### ***Competition***

Historically, the Company's products have been sold largely in the United States, although its foreign business is increasing. The Company's products face substantial competition from both domestic and foreign companies, which range in size from highly resourceful small concerns, which engineer and produce specialized items, to very large, diversified firms with vastly greater resources than the Company. In the domestic market, major competitors include companies such as Raytheon Company, Lockheed Martin Corporation, Northrop Grumman, Inc., Condor Systems, Inc., TRW Inc., and British Aerospace. In the foreign market, a number of overseas companies are competitors, in addition to those named above, such as EADS, Elta, and Thompson-CFS. The size and reputation of these companies give them a significant advantage in competing for contracts. The Company competes on the basis of product offerings, price, product and systems quality, technology and pre- and post-sale customer service. The Company has competed successfully as a prime contractor where it believes it has a customer solution advantage; otherwise, the Company has teamed with its traditional partners.

### ***Materials***

The Company's operations primarily require electronic, optical, and mechanical components and supplies, which are generally available from several commercial sources. Although certain items are only available from limited sources of supply, the Company believes that the loss of any single supplier would not have a material adverse effect on the Company.

### ***Patents***

The Company holds several patents. The Company has registered no trademarks. However, the Company believes that the ownership of patents is not a significant factor in its business and that its success depends primarily on innovative skills, technical competence, and the ability to rapidly adapt commercially available new technology to emerging requirements from its customers. The Company believes that the loss of patent protection for any of its products would not materially adversely affect the Company.

### ***Marketing***

In the domestic market, business development of the Company's products and services is conducted by its staff who concentrate on developing an understanding of the customers' particular requirements and providing a satisfactory solution for those requirements.

In the international market, the domestic model is complemented with marketing assistance for specific products from selected partners. Generally, sales of systems for export must be approved by the U.S. Department of State, which limits the markets for such products and may result in delay or possible cancellation of an order.

### ***Product Development***

The Company believes that its continued success depends, in a large part, on its ability to develop and apply new technology to provide total system solutions for its customers. Funding for products and systems development comes in part from internally sponsored research, with the majority of development being funded

through development contracts. Total research and development expenditures over the past two years were as follows:

	<u>Year Ended September 30,</u>	
	<u>2001</u>	<u>2000</u>
Internal research and development .....	\$ 892,000	\$ 932,000
Customer-funded development .....	<u>7,958,000</u>	<u>10,364,000</u>
Total .....	<u>\$ 8,850,000</u>	<u>\$11,296,000</u>

Current funded programs include development of systems analysis, jamming resistance, emitter's identification, communications intercept capabilities, precision direction finding, and source localization.

***Backlog***

The backlog of \$5,884,000 at September 30, 2001, included both unfilled firm orders for the Company's products for which funding has been authorized and appropriated by the customer, including the remaining portion of contracts in progress, and firm orders for which funding has not been appropriated.

Certain Company contracts can be extended or increased at the option of the customer. Currently, the potential value of these options, if exercised by the customer, is approximately \$44,265,000, primarily resulting from a subcontract for engineering and production of components of the AIEWS systems for U.S. Navy surface ships. Following development, the prime contractor holds options for subsequent production. The Company anticipates that a portion of the options will be exercised during the period 2003 through 2008. However, the Company has no assurance that any of the options will be exercised, or if exercised, the value to be exercised.

***Government Contracts***

During the most recent fiscal year, approximately 90% of the Company's revenues were attributable to contracts with various departments and agencies of the U.S. Government or subcontracts with its prime contractors. The funding of Government programs is subject to Congressional appropriations. Although multi-year contracts may be authorized in connection with major procurements, Congress generally appropriates funds on a fiscal year basis, even though a program may continue for many years. Consequently, programs are often only partially funded initially, and additional funds are committed only as Congress makes further appropriations.

Generally, government contracts are subject to oversight audits by government representatives. Provisions permit termination, in whole or in part, without prior notice, at the government's convenience. Compensation is limited to work completed and commitments made at the time of termination. In the event of termination, the contractor will receive some allowance for profit on the work performed.

The Company's U.S. Government contracts include fixed price, cost plus fixed fee, cost plus incentive fee, cost plus award fee, and time and material contracts. The fixed price contracts are not subject to adjustment by reason of costs incurred in the performance of the contract. With this type of contract, the Company assumes the risk that it will be able to perform at a cost below the fixed price, except for costs incurred because of contract changes ordered by the customer.

The Company is subject to various statutes and regulations governing government contracts generally and defense contracts specifically, which carry substantial penalty provisions including suspension or debarment from government contracting or subcontracting for a period of time, in the event the Company is found to have violated any of these regulations. Among the causes for debarment are violations of various statutes, including those related to procurement integrity, export control, government security regulations,

employment practices, the protection of the environment, the accuracy of records, and the recording of costs. The Company carefully monitors all of its contracts and contractual efforts to minimize the possibility of any violation of these regulations in connection with its government contracts. The Company has experienced minimal audit adjustments over the past ten years. The Defense Contract Audit Agency ("DCAA") has completed its audit of the Company's contracts through the fiscal year ended September 30, 1998.

Companies which are engaged in supplying defense-related equipment to the Government are subject to certain business risks, some of which are peculiar to that industry. Among these are: the cost of obtaining trained and skilled employees; the uncertainty and instability of prices for raw materials and supplies; the problems associated with advanced designs, which may result in unforeseen technological difficulties and cost overruns; and the intense competition and the constant necessity for improvement in facilities and personnel training. Sales to the Government may be affected by changes in procurement policies, budget considerations, changing concepts of national defense, social and economic developments abroad and other factors.

As a result of changing domestic and international conditions, the Department of Defense budgets have been subject to increasing pressure. However, the Company believes the passive surveillance markets in which it participates will continue to be important in future years, as the military branches and intelligence agencies continue to rely upon technological advances for defense and intelligence purposes. There can be no assurances, however, that federal appropriations will continue to exist at their current levels or that the Company's products will be utilized in the future.

### **Forward-Looking Statements**

Statements in this filing which are not historical facts are forward-looking statements under the provisions of the Private Securities Litigation Reform Act of 1995. All forward-looking statements involve risks and uncertainties. These statements are based upon numerous assumptions about future conditions that could prove not to be accurate. Actual events, transactions or results may materially differ from the anticipated events, transactions or results described in such statements. The Company's ability to consummate such transactions and achieve such events or results is subject to certain risks and uncertainties. In addition to those specifically mentioned above, such risks and uncertainties include, but are not limited to, the existence of demand for, and acceptance of, the Company's products and services, regulatory approvals and developments to include export approval, economic conditions both domestically and internationally, the impact of competition and pricing, results of financing efforts and other factors affecting the Company's business that are beyond the Company's control. The Company undertakes no obligation and does not intend to update or revise these forward-looking statements to reflect future events or circumstances.

### ***Environmental***

The Company's operations do not include any activities which result in material environmental issues. As a result, the Company has incurred no material costs in the past two years related to environmental compliance.

### ***Employees***

At September 30, 2001, the Company employed 112 persons. Many of the Company's employees are highly skilled, with advanced degrees. The Company's continued success depends upon its ability to continue to attract and retain highly skilled employees. The Company has never had a work stoppage, and none of its employees are represented by a labor organization. The Company considers its employee relations to be good.

## Item 2. Properties

The Company believes that its leased facilities are suitable for their respective operations. Each facility is well maintained and capable of supporting higher levels of revenue. The table below sets forth certain information about the Company's principal facilities:

<u>Address</u>	<u>Square Feet</u>	<u>Owned or Leased</u>	<u>Description</u>	<u>Principal Activity</u>
8419 Terminal Road ..... Newington, VA 22122	67,000	Leased, Expiration Date: 6/30/2014	Two 1-story and one partial 2-story adjacent block buildings. Buildings are in an industrial park	Engineering/ Manufacturing/ Administration
300 Parkland Plaza..... Ann Arbor, MI 48103	12,500	Leased, Expiration Date: 11/30/2003	1-story facility in a research park	Engineering/ Manufacturing/ Administration

The Company's facilities in Newington and Ann Arbor are equipped with equipment used for the design, development and manufacture of its products. Facilities in Newington include a Sensitive Compartmented Information Facility ("SCIF"), anechoic chamber, secure test areas, environmental equipment, antennas, as well as general-purpose equipment required to manufacture and test its products.

## Item 3. Legal Proceedings

The Company is not a party to, nor is any of its property the subject of, any material pending legal proceedings.

## Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the Company's fiscal year ended September 30, 2001.

## PART II

### Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

The Company's Common Stock is traded on the NASDAQ under the symbol "STST".

The following table sets forth the range of high and low actual sales prices of the Common Stock for the periods indicated. Sale prices include prices between dealers, may not reflect mark-ups, mark-downs or commissions and may not represent final actual transactions.

<u>Quarter Ended</u>	<u>High</u>	<u>Low</u>
December 31, 1999.....	6.00	3.53
March 31, 2000.....	5.00	4.50
June 30, 2000.....	4.00	3.43
September 30, 2000.....	5.50	3.75
December 31, 2000.....	4.50	3.25
March 31, 2001.....	5.00	3.25
June 30, 2001.....	4.50	3.00
September 30, 2001.....	7.55	3.97

No dividends have been paid on the Company's Common Stock during the last two fiscal years. Furthermore, the Company's line of credit contains certain restrictions on payment of dividends. The Company currently intends to retain all of its earnings to finance the growth and development of its business and does not anticipate paying cash dividends on its Common Stock in the foreseeable future.

As of December 4, 2001, there were approximately 806 beneficial owners of the Company's Common Stock, including 255 holders of record.

### Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion provides information which management believes is relevant to an assessment and understanding of the Company's operations and financial condition. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes.

#### *Operating Cycle*

In accordance with industry practice, the Company classifies as current assets amounts relating to long-term contracts which may have terms extending beyond one year but are expected to be realized during the normal operating cycle of the Company. The liabilities in the accompanying balance sheets which have been classified as current liabilities are those expected to be satisfied by the use of assets classified as current assets. At September 30, 2001, substantially all contracts to which the Company is a party will be completed within the next 12 months. Therefore, substantially all current assets and current liabilities as of this date are expected to be turned over in the next 12 months.

#### *Results of Operations*

Revenue for the year ended September 30, 2001 was \$16,391,000 compared to \$22,706,000 for the year ended September 30, 2000, a \$6,315,000 or a 28% decrease. The decrease primarily resulted from the substantial completion of the U.S. Navy ESM Receiver Systems and the Bobcat contracts for the EW Group, and the delay in receipt of planned international contracts for Comms, EW, and Imaging Groups. The Bobcat contract generated 15% of the 2000 revenue compared to 5% in 2001. The U.S. Navy ESM Receiver contract generated 7% of the 2000 revenue compared to 2% in 2001. The decrease in revenue experienced on the U.S.

Navy ESM Receiver and Bobcat contracts was in part replaced with additional revenue received primarily from the U.S. Navy AN/BLQ-10 (V)1 and (V)2 and U.S. Navy Integrated Electronic Warfare System (AIEWS) subcontracts from Lockheed Martin Corporation. The AIEWS subcontract originated in late fiscal 1998, generating approximately 25% of the 2000 revenue compared to 38% of the 2001 revenue. The AN/BLQ-10 (V)1 and (V)2 subcontract originated in 2000 generating 8% of the 2000 revenue compared to 13% of the 2001 revenue.

Customer-funded development, which is included in revenues, was \$7,958,000 and \$10,364,000 in fiscal years 2001 and 2000, respectively. The decrease in customer-funded development of \$2,406,000 or 23% is consistent with the reduction in revenue experienced in 2001. The customer-funded development resulted from the U.S. Navy Integrated Electronic Warfare System (AIEWS) subcontract from Lockheed Martin Corporation and other government agency contract efforts.

The total amount of negotiated backlog, including both unfilled firm orders for the Company's products for which funding has been authorized and appropriated by the customer, and firm orders for which funding has not been appropriated as of September 30, 2001 and 2000 was \$5,884,000 and \$7,033,000, respectively. The majority of the authorized and appropriated unfilled orders at September 30, 2001 of \$5,884,000 are expected to be completed within a year. Options on existing contracts approximated \$44,265,000 at September 30, 2001. The options are primarily the result of the subcontract for engineering and production of components of the Integrated Electronic Warfare Systems (AIEWS) for the U.S. Navy surface ships. A portion of the options are planned for exercise between the year 2003 and the year 2008 with potential deliveries extending for an additional two years. However, the Company has no assurance that any of the options will be exercised, or if exercised, the value to be exercised.

Cost of revenues, as a percentage of revenue, increased slightly from 71.3% for the year ended September 30, 2000 to 71.6% for the year ended September 30, 2001.

During fiscal year 2001, general and administrative expenses decreased from \$3,974,000 to \$2,901,000, a \$1,073,000 or a 27% decrease from fiscal 2000. The decrease was due principally to a decrease in the one-time accrual for severance pay of \$734,000, and efficiencies gained in automating infrastructure support tools, which facilitated staffing realignment begun in 2000.

Net interest income for the year ended September 30, 2001 was \$141,000 compared to net interest income of \$116,000 for the year ended September 30, 2000. The increase is due primarily to improved cash flow from operations and substantially improved cash collection activity resulting in lower accounts receivable and higher daily invested balances. Other income increased from \$39,000 in 2000 to \$116,000 for the year ended September 30, 2001. The increase is due to sub-lease income of \$112,000 received for 12 months in 2001 compared to \$29,000 for four months in 2000.

Income tax expense for the years ended September 30, 2001 and 2000, consist of federal and state income taxes. The Company's effective income tax rate was 38.9% for the year ended September 30, 2001, and was 38.1% for the year ended September 30, 2000. The rate varied from the statutory rate in 2001 primarily due to state taxes.

Net income for the year ended September 30, 2001 was \$1,224,000, compared to net income of \$1,666,000 for the year ended September 30, 2000. The decrease of \$442,000 was the result of decreased revenue not fully offset by gains in operations efficiency and interest income in 2001.

### ***Liquidity and Sources of Capital***

At September 30, 2001, the Company's cash and cash equivalents totaled \$4,362,000 as compared to \$1,512,000 at September 30, 2000. During the year ended September 30, 2001, the net cash provided by the Company for its operating activities was \$3,292,000, as compared to the net cash used of \$544,000 for the

fiscal year 2000, an increase of \$3,836,000. The increase was attributable to a decrease in receivables and utilization of prepaid federal and state income taxes, to reduce taxes currently payable.

The net cash used by investing activities during the year ended September 30, 2001 was \$290,000, as compared to cash used for investing activities of \$784,000 during the year ended September 30, 2000. The decrease is due to the completion of improvements to office and lab facilities. Capital expenditures for the year ended September 30, 2001 were \$290,000. The Company has currently budgeted \$864,000 for capital expenditures during fiscal 2002 including \$440,000 principally for machinery and equipment, \$81,000 for computer hardware and software and \$343,000 for facility improvements. The Company expects to be able to finance these expenditures with available working capital and credit facilities.

The net cash used by the Company in financing activities during the year ended September 30, 2001 was \$152,000, compared to net cash used by financing activities of \$236,000 during the year ended September 30, 2000. For 2001 and 2000, the activity was principally the result of the payment of capital lease obligations and the purchase of treasury stock less the proceeds from the exercise of stock options.

The Company entered into a \$5,000,000 line of credit and related note payable with its bank on February 28, 2001, which expires on February 28, 2002. At September 30, 2001, the Company was in compliance with the covenants contained in the line of credit agreement. There were no amounts outstanding under the line of credit at September 30, 2001.

The Company currently is in negotiation with its bank to increase the line to \$10,000,000 to accommodate the stand-by letters of credit for anticipated international contracts. However, no assurance can presently be made that it will obtain such financing, or if obtained, the terms of such financing.

The Company believes that its existing funds and amounts generated by operations will be sufficient to meet its working capital needs through 2002.

### ***New Accounting Pronouncements***

The Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets," in June 2001. SFAS No. 141 requires all business combinations completed after June 30, 2001, be accounted for under the purchase method. Management does not expect the implementation of these new pronouncements to have a significant impact on the Company's financial position or its results of operation.

The FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," on August 15, 2001, and SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets," on October 4, 2001. These pronouncements will be adopted in 2002, and management of the Company does not expect the implementation of these new pronouncements to materially impact the Company's financial position or its results of operations.

### ***Impact of Inflation***

The Company's operations were not significantly affected by inflation.

### **Item 7. Financial Statements and Supplementary Data**

The information required by this item is included in this report on pages F-1 through F-16.

### **Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

There were no disagreements with the auditors.

## **PART III**

### **Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act**

Information relating to the Directors and Executive Officers of the Company and compliance with Section 16(a) of the Exchange Act will appear beneath the captions "Election of Directors," "Certain Information Regarding Nominees," "Meetings and Committees of the Board," "Business Experience of Executive Officers," "Compensation of Directors," and "Section 16(a), Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement which will be distributed in connection with its 2002 Annual Meeting of Stockholders. Such Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A and such information will be incorporated herein by reference as of the date of such filing.

### **Item 10. Executive Compensation**

Information relating to management remuneration and transactions will appear beneath the caption "Executive Compensation" and "Employment Agreements" in the Company's definitive Proxy Statement which will be distributed in connection with its 2002 Annual Meeting of Stockholders. Such Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A and such information will be incorporated herein by reference as of the date of such filing.

### **Item 11. Security Ownership of Certain Beneficial Owners and Management**

Information relating to the ownership of equity securities by management and by beneficial owners of 5% or more of the Common Stock of the Company will be set forth under the caption "Stock Ownership of Certain Beneficial Owners" in the Company's definitive Proxy Statement which will be distributed in connection with its 2002 Annual Meeting of Stockholders. Such Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A and such information will be incorporated herein by reference as of the date of such filing.

### **Item 12. Certain Relationships and Related Transactions**

Information concerning certain relationships and transactions between the Company and its Officers and Directors will appear beneath the caption "Certain Relationships and Related Transactions" in the Company's definitive Proxy Statement which will be distributed in connection with its 2002 Annual Meeting of Stockholders. Such Proxy Statement will be filed with the Securities and Exchange Commission pursuant to Regulation 14A and such information will be incorporated herein by reference as of the date of such filing.

In the event that the Company's definitive Proxy Statement to be distributed in connection with its 2002 Annual Meeting of Stockholders is not filed, or mailed for filing, with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the end of the Company's most recent fiscal year, the Company will amend this Report within such time period to provide the information required by Part III hereof.

**Item 13. Exhibits and Reports on Form 8-K**

**(a) Exhibits**

- (i) Amended and Restated Bylaws of Sensytech, Inc. (as adopted on February 14, 2001)
- (ii) Consent of Independent Accountants

**(b) Reports on Form 8-K**

No Reports on Form 8-K were filed during the quarter ended September 30, 2001.

## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors and Shareholders of  
Sensytech, Inc. and Subsidiary:

In our opinion, the accompanying consolidated balance sheets and the related statements of income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Sensytech, Inc. and its subsidiary at September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the two years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States of America. 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 of these financial statements in accordance with auditing standards generally accepted in the United States of America, which 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 amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Pittsburgh, PA  
November 30, 2001

**SENSYTECH, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**

	September 30,	
	2001	2000
<b>Assets</b>		
Current Assets		
Cash and cash equivalents (Note 1) .....	\$ 4,362,000	\$ 1,512,000
Accounts receivable, net of allowance for doubtful accounts of \$200,000 in 2001 and \$215,000 in 2000 .....	3,091,000	5,460,000
Unbilled contract costs, net (Note 3) .....	3,563,000	3,625,000
Refundable and prepaid income taxes .....	392,000	1,057,000
Inventories .....	30,000	24,000
Deferred income taxes (Note 12) .....	341,000	459,000
Other current assets .....	139,000	119,000
Total Current Assets .....	11,918,000	12,256,000
Property and Equipment (Note 4) .....	1,429,000	1,627,000
Other Assets		
Deferred income taxes (Note 12) .....	304,000	426,000
Other assets .....	115,000	75,000
Total Assets .....	\$13,766,000	\$14,384,000
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Accounts payable .....	\$ 450,000	\$ 888,000
Accrued salaries, benefits, and related expenses .....	822,000	1,185,000
Accrued severance pay-current .....	290,000	420,000
Other accrued expenses .....	73,000	325,000
Billings in excess of costs (Note 3) .....	145,000	485,000
Capital leases .....	—	38,000
Total Current Liabilities .....	1,780,000	3,341,000
Long-Term Liabilities		
Accrued severance pay .....	—	289,000
Total Liabilities .....	1,780,000	3,630,000
Stockholders' Equity (Notes 2 and 10)		
Common stock, \$.01 par value; 5,000,000 shares authorized, September 30, 2001 and 2000; 4,085,047 and 4,021,347 shares issued and outstanding, September 30, 2001 and 2000 .....	41,000	40,000
Additional paid-in capital .....	7,482,000	7,290,000
Unearned stock-based compensation (Note 10) .....	—	(55,000)
Treasury stock at cost, 125,245 and 72,000 shares at September 30, 2001 and 2000 (Note 11) .....	(525,000)	(285,000)
Retained earnings .....	4,988,000	3,764,000
Total Liabilities and Stockholders' Equity .....	\$13,766,000	\$14,384,000

*The accompanying notes are an integral part of these consolidated financial statements.*

**SENSYTECH, INC. AND SUBSIDIARY**  
**CONSOLIDATED INCOME STATEMENT**

	For the Year Ended September 30,	
	<u>2001</u>	<u>2000</u>
Revenue		
Contract revenue .....	\$16,391,000	\$22,706,000
Costs and Expenses		
Cost of revenues .....	11,744,000	16,195,000
General and administrative expenses .....	2,901,000	3,974,000
Total Costs and Expenses .....	<u>14,645,000</u>	<u>20,169,000</u>
Income From Operations .....	1,746,000	2,537,000
Other Expenses		
Interest income, net .....	141,000	116,000
Other income, net .....	116,000	39,000
Income Before Income Taxes .....	2,003,000	2,692,000
Income Tax Provision (Note 12) .....	<u>(779,000)</u>	<u>(1,026,000)</u>
Net Income .....	<u>\$ 1,224,000</u>	<u>\$ 1,666,000</u>
Per Share Amount (Note 1)		
Basic earnings per share .....	\$ 0.31	\$ 0.42
Diluted earnings per share .....	<u>\$ 0.30</u>	<u>\$ 0.40</u>

**SENSYTECH, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Common Stock		Additional Paid-in Capital	Unearned Stock-Based Compensation	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	Shares	Amount					
Balance at September 30, 1999 .....	3,987,940	\$ 40,000	\$7,099,000	\$ (125,000)	\$ —	\$2,098,000	\$ 9,112,000
Net income .....	—	—	—	—	—	1,666,000	1,666,000
Employee stock purchase .....	9,927	—	42,000	—	—	—	42,000
Exercise of stock options .....	23,480	—	80,000	—	—	—	80,000
Unearned stock-based compensation (Note 10) .....	—	—	110,000	(110,000)	—	—	—
Amortization of stock-based compensation, net of forfeitures of \$11,000 .....	—	—	—	139,000	—	—	139,000
Forfeiture of stock options .....	—	—	(41,000)	41,000	—	—	—
Purchase of treasury shares .....	—	—	—	—	(285,000)	—	(285,000)
Balance at September 30, 2000 .....	4,021,347	\$ 40,000	\$7,290,000	\$ (55,000)	\$ (285,000)	\$3,764,000	\$10,754,000
Net income .....	—	—	—	—	—	1,224,000	1,224,000
Stock grant .....	10,000	—	36,000	—	—	—	36,000
Exercise of stock options .....	53,700	1,000	125,000	—	—	—	126,000
Tax benefit on stock option exercises .....	—	—	36,000	—	—	—	36,000
Amortization of stock-based compensation, net of forfeitures of \$5,000 .....	—	—	(5,000)	55,000	—	—	50,000
Purchase of treasury shares .....	—	—	—	—	(240,000)	—	(240,000)
Balance at September 30, 2001 .....	<u>4,085,047</u>	<u>\$ 41,000</u>	<u>\$7,482,000</u>	<u>\$ —</u>	<u>\$ (525,000)</u>	<u>\$4,988,000</u>	<u>\$11,986,000</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**SENSYTECH, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Year Ended September 30,	
	2001	2000
<b>Cash flows from operating activities:</b>		
Net income .....	\$ 1,224,000	\$ 1,666,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization .....	488,000	576,000
Provision (credit) for doubtful accounts .....	(15,000)	(96,000)
Amortization of deferred compensation .....	50,000	139,000
Deferred taxes .....	240,000	11,000
Cash provided (used) by assets and liabilities:		
Accounts receivable .....	2,384,000	(2,149,000)
Unbilled contract costs .....	62,000	1,299,000
Inventories .....	(6,000)	1,000
Other assets .....	(60,000)	32,000
Refundable and prepaid income taxes .....	701,000	(1,412,000)
Accounts payable .....	(438,000)	(598,000)
Other accrued expenses .....	(1,034,000)	(38,000)
Billing in excess of costs .....	(340,000)	19,000
Other .....	<u>36,000</u>	<u>6,000</u>
Net cash provided by (used in) operating activities .....	<u>3,292,000</u>	<u>(544,000)</u>
<b>Cash flows from investing activities:</b>		
Acquisitions of property and equipment .....	<u>(290,000)</u>	<u>(784,000)</u>
Net cash used in investing activities .....	<u>(290,000)</u>	<u>(784,000)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on capital lease obligations .....	(38,000)	(73,000)
Proceeds from employee stock purchases .....	—	42,000
Proceeds of stock option exercises .....	126,000	80,000
Payments on purchase of treasury stock .....	<u>(240,000)</u>	<u>(285,000)</u>
Net cash (used in) financing activities .....	<u>(152,000)</u>	<u>(236,000)</u>
Net increase (decrease) in cash and cash equivalents .....	2,850,000	(1,564,000)
Cash and cash equivalents, beginning of period .....	<u>1,512,000</u>	<u>3,076,000</u>
Cash and cash equivalents, end of period .....	<u>\$ 4,362,000</u>	<u>\$ 1,512,000</u>
Supplemental disclosure of cash flow information:		
Cash received for income taxes .....	<u>\$ 162,000</u>	<u>\$ 7,000</u>
Cash paid for interest .....	<u>\$ 20,000</u>	<u>\$ 5,000</u>
Cash paid for income taxes .....	<u>\$ —</u>	<u>\$ 2,435,000</u>
Non-cash investing activity:		
Tax benefit on stock option exercises included in prepaid taxes .....	<u>\$ 36,000</u>	<u>\$ —</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

## SENSYTECH, INC. AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 1 – Significant Accounting Policies

##### *Business Activities:*

Sensytech, Inc. and subsidiary (the "Company") primarily defines, designs, develops and manufactures systems and equipment for integrated passive surveillance systems, electronic countermeasures, and simulator systems for military and commercial customers.

##### *Principles of Consolidation:*

The consolidated financial statements include the accounts of Sensytech, Inc. and its wholly owned subsidiary, Daedalus Enterprises Export Corporation. All intercompany transactions have been eliminated in consolidation.

##### *Cash and Cash Equivalents:*

For purposes of the statement of cash flows, the Company considers all unrestricted highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

##### *Inventories:*

Inventories are stated at the lower of cost or market, determined on the first-in, first-out basis. Inventories consist of component parts.

##### *Property and Equipment:*

Property and equipment are recorded at cost and are depreciated over estimated useful lives ranging from three to eight years using straight-line and double declining balance methods. Leasehold improvements are amortized over the life of the improvement or length of lease term, whichever is shorter, using the straight-line method. Amortization of leasehold improvements and capital lease obligations are included in depreciation expense. The cost and accumulated depreciation or amortization of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in other income (expenses).

The Company reviews the carrying value of property, plant and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets.

##### *Revenue Recognition:*

The estimated revenue for performance under Government fixed-price and cost-type contracts, including customer-funded research and development, is recognized under the percentage of completion method of accounting whereunder the estimated revenue is determined on the basis of completion to date (the total contract amount multiplied by percent of performance to date less revenue value recognized in previous periods). Revenues under cost-reimbursement contracts are recorded as costs are incurred and include estimated earned fees in the proportion that costs incurred to date bear to total estimated costs. The fees under certain Government contracts may be increased or decreased in accordance with cost or performance incentive

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

provisions which measure actual performance against established targets or other criteria. Such incentive fee awards or penalties, which historically are not material, are included in revenue at the time the amounts can be determined reasonably. Anticipated losses are recognized at the time they become known. It is reasonably possible that future operating results may be effected if actual contract costs incurred differ from total contract costs currently estimated by management.

***Research and Development:***

Internally funded research and development costs are included in general and administrative expenses in the consolidated income statements. The amount of internally funded research and development costs expensed during 2001 and 2000 was \$892,000 and \$932,000, respectively.

***Income Taxes:***

Deferred tax assets and liabilities have been established for the temporary differences between financial statement and tax bases of assets and liabilities existing at the balance sheet date using expected tax rates. A valuation allowance is recorded to reduce deferred income taxes to that portion that is expected to more likely than not be realized.

***Use of Estimates:***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

***Operating Cycle:***

In accordance with industry practice, the Company classifies as current assets amounts relating to long-term contracts which may have terms extending beyond one year but are expected to be realized during the normal operating cycle of the Company. The liabilities in the accompanying balance sheets which have been classified as current liabilities are those expected to be satisfied by the use of assets classified as current assets. At September 30, 2001, substantially all contracts in progress are expected to be completed within the next 12 months. Therefore, substantially all current assets and current liabilities as of this date are expected to be turned over in the next 12 months.

***Earnings Per Share:***

Basic earnings per share is computed using the weighted average number of common shares outstanding during each period. Diluted earnings per share is computed using the weighted average number of common and common equivalent shares outstanding during each period. The following summary is presented for the years ended:

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

	September 30,	
	2001	2000
Net income .....	\$ 1,224,000	\$ 1,666,000
Weighted average shares outstanding – basic .....	3,985,000	3,997,000
Basic earnings per share .....	\$ .31	\$ .42
Effect of dilutive securities:		
Net shares issuable upon exercise of stock		
options .....	42,000	148,000
Weighted average shares outstanding – diluted .....	4,027,000	4,145,000
Diluted earnings per share .....	\$ .30	\$ .40

***Reclassifications:***

Certain amounts in the 2000 financial statements have been reclassified to conform to the 2001 presentation.

**Note 2 – Acquisitions**

On June 9, 1998, S.T. Research Corporation ("STR") acquired Daedalus Enterprises, Inc. ("DEI") in an acquisition whereby the outstanding STR shares were converted into approximately 86.5% of the issued and outstanding shares of DEI (the "Acquisition"). As part of this overall transaction, DEI changed its name to Sensytech, Inc. While DEI was the legal acquirer, the Acquisition was accounted for as a reverse acquisition whereby STR was deemed to have acquired DEI for financial reporting purposes.

At the Acquisition date, DEI had net operating loss carryforwards (NOLs) of approximately \$2,575,000 and tax credits of approximately \$40,000. The acquired NOLs and tax credits are limited as to use under the Internal Revenue Code. A portion of the NOLs were reserved through a recording of a valuation reserve at the acquisition date. To the extent that the remaining reserved NOLs were realized, the corresponding tax benefit was first used to reduce goodwill to zero and thereafter to reduce any provision for income taxes.

The Company recorded goodwill of \$802,000 in connection with the acquisition. During fiscal year 1999, goodwill was reduced by \$629,000 for the utilization of acquired net operating loss carryforwards (NOLs), the gain on the sale of the Michigan facility (Note 8) and the reversal of certain estimated liabilities recorded in connection with the Acquisition. During fiscal year 2000 goodwill was further reduced by \$125,000 for the utilization of acquired NOLs and reversal of the valuation allowance on the acquired NOLs.

**Note 3 – Unbilled Contract Costs, Net**

The status of accumulated costs incurred plus estimated earnings, net of contractual payments, and government progress billings at September 30, 2001 and 2000 were as follows:

	2001	2000
Accumulated costs incurred and estimated earnings on		
uncompleted contracts .....	\$ 3,418,000	\$ 3,774,000
Progress billings and advances on uncompleted		
contracts .....	—	(634,000)
Total.....	\$ 3,418,000	\$ 3,140,000

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

The above amounts are included in the balance sheet at September 30, 2001 and 2000 as follows:

	September 30,	
	2001	2000
Costs and estimated earnings in excess of billings (unbilled contract costs) on uncompleted contracts .....	\$ 3,563,000	\$ 3,625,000
Billings in excess of costs and estimated earnings on uncompleted contracts .....	<u>(145,000)</u>	<u>(485,000)</u>
Total.....	<u>\$ 3,418,000</u>	<u>\$ 3,140,000</u>

Unbilled costs and accrued profit on contracts in progress comprise principally amounts of revenue recognized on contracts for which billings had not been presented to the customer because the amounts were not billable at the balance sheet date. It is anticipated such unbilled amounts receivable at September 30, 2001 will be billed over the next 270 days as products and/or services are delivered. Retainages, which approximate \$131,000 at September 30, 2001, will be billed and collected as contracts are finalized with the customer. At September 30, 2001 and 2000, there are no significant unrecovered costs or estimated profits subject to future negotiation.

Receivables under certain Government contracts are based on provisional rates that permit recovery of overhead not exceeding certain limits. These overhead rates are subject to audit on an annual basis by the Defense Contract Audit Agency (DCAA). When final determination and approval of the allowable rates have been made, receivables may be adjusted accordingly. In management's opinion, any adjustments will not be material. The DCAA has completed their audit of the rates through September 30, 1998.

**Note 4 – Property and Equipment**

Property and equipment are summarized as follows at September 30:

	2001	2000
Furniture and fixtures .....	\$ 137,000	\$ 130,000
Machinery and equipment .....	3,665,000	3,550,000
Leasehold improvements .....	963,000	795,000
Equipment capitalized under capital leases .....	<u>143,000</u>	<u>143,000</u>
Subtotal .....	4,908,000	4,618,000
Less accumulated depreciation and amortization .....	<u>3,479,000</u>	<u>(2,991,000)</u>
Total.....	<u>\$ 1,429,000</u>	<u>\$ 1,627,000</u>

Depreciation and amortization expense was approximately \$488,000 and \$560,000 for the years ended September 30, 2001 and 2000, respectively.

**Note 5 – Note Payable - Line of Credit**

Effective February 28, 2001, the Company renewed its line of credit and related note payable with its bank. The agreement expires February 28, 2002, and provides a maximum available line of credit of \$5,000,000. However, the total borrowing base generally cannot exceed the sum of 90% of qualified government accounts receivable and 80% of qualified non-government accounts receivable.

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

The bank agreement establishes the interest rate at the LIBOR rate plus 225 to 275 basis points, determined by the Company's ratio of funded debt to earnings before interest, taxes, depreciation and amortization. All borrowings under the line of credit and the performance of the Company's obligations under the line of credit agreement are collateralized by the Company's accounts receivable, equipment, contracts, and general intangibles. The agreement also contains various covenants as to dividend restrictions, working capital, tangible net worth, earnings and debt-to-equity ratios. At September 30, 2001 and 2000, no amounts were outstanding. Unused commitment fees of one quarter of one percent per annum are required.

**Note 6 – Deferred Compensation**

The Company had a Non-Qualified Deferred Compensation Plan whereby certain employees may defer compensation with such deferrals taking the status of a general obligation of the Company. The balance bears interest at prime plus one-half percent. Benefits under this plan were paid in full during 2000.

At September 30, 2001, accrued severance pay relates to amounts payable to a former officer of the Company. Such amounts are payable monthly through May 2002.

**Note 7 – Employee Benefit Plans**

At September 30, 2001, the Company's sole qualified deferred compensation plan ("the Plan") consisted of two components. The Plan is comprised of a 401(k) plan and a profit sharing plan. In June of 1998, the Plan was amended to allow for self-direction investments of profit sharing contributions.

To participate in the Plan, eligible employees must have attained 21 years of age. Eligible employees may elect to participate in the Company's 401(k) plan on January 1 and July 1. In 2001 and 2000, the Company matched 50% of the first six percent of employee contributions, which match amounted to \$131,000 in 2001 and \$132,000 in 2000.

The total number of Company shares allocated to participants under the profit sharing plan at September 30, 2001 and 2000 were 387,801 and 408,612, respectively.

**Note 8 – Lease Commitments**

On September 2, 1998, the Company entered into a sales agreement for a property held for sale in Michigan. The Company sold their Michigan facility on December 1, 1998. The Company entered into a five-year lease for a portion of the facility with the new owner. The Company, effective June 30, 1999, also signed a non-cancelable 15-year lease with a third party for the real estate at its principal location in Virginia.

The Company also leases various equipment under non-cancelable operating leases.

Rent expense for the years ended September 30, 2001 and 2000 was \$879,000 and \$897,000, respectively. At September 30, 2001, minimum rental payments under operating leases for facilities and equipment are as follows:

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

2002 .....	\$ 798,000
2003 .....	805,000
2004 .....	613,000
2005 .....	498,000
2006 .....	501,000
Remainder .....	<u>4,595,000</u>
Total .....	<u>\$7,810,000</u>

The Company sub-leases to a third party a portion of its facility at its principal location in Virginia. Sub-lease income for the years ended September 30, 2001 and 2000 was \$112,000 and \$29,000, respectively. At September 30, 2001, minimum rentals to be received under the sub-lease through the expiration of the lease in fiscal year 2003 are \$187,000.

**Note 9 – Stock Options**

The Company has an Incentive Stock Option Plan established in 1983 ("1983 Plan"), and a Long-Term Incentive Plan and a Non-Employee Director Stock Option Plan established in 1995 (collectively the "1995 Plans"). The Long-Term Incentive Plan provides for the granting of options, restricted stock and/or performance awards to key employees and the Non-Employee Director Stock Option Plan provides for the granting of options to outside members of the Board of Directors to purchase common stock of the Company at the fair market value at the date of the grant. There were 138,500 exercisable options outstanding at September 30, 2001 under the Long-Term Incentive Plan. There are no exercisable options or stock appreciation rights outstanding under the 1983 Plan at September 30, 2001. The Non-Employee Director Stock Option Plan was amended to prohibit future granting of options.

The Company also has a 1991 Stock Option Plan, the ("1991 Plan") and a 1996 Stock Option Plan, the ("1996 Plan"). The 1991 Plan and the 1996 Plan each have 25,800 exercisable options that are outstanding at September 30, 2001.

Options under all of the aforementioned Plans generally vest over a one to five year period and expire after 10 years.

Stock option activity is summarized as follows:

	1995 <u>Plans</u>	Weighted Average <u>Exercise Price</u>
Balance at Sept. 30, 1999 .....	351,700	\$ 3.02
Exercised .....	(8,000)	2.91
Granted .....	30,500	4.58
Expired .....	—	—
Forfeited .....	<u>(158,200)</u>	<u>3.15</u>
Balance at Sept. 30, 2000 .....	216,000	3.15
Exercised .....	(13,700)	2.91
Granted .....	223,000	4.18
Expired .....	—	—
Forfeited .....	<u>(8,400)</u>	<u>4.03</u>
Balance at Sept. 30, 2001 .....	416,900	\$ 3.74

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

	1991 <u>Plan</u>	Weighted Average <u>Exercise Price</u>	1996 <u>Plan</u>	Weighted Average <u>Exercise Price</u>
Balance at Sept. 30, 1999 .....	25,800	\$ 0.75	41,280	\$ 3.37
Exercised .....	—	—	(15,480)	3.37
Granted .....	—	—	—	—
Expired .....	—	—	—	—
Forfeited .....	—	—	—	—
Balance at Sept. 30, 2000 .....	<u>25,800</u>	<u>0.75</u>	<u>25,800</u>	<u>3.37</u>
Exercised .....	—	—	—	—
Granted .....	—	—	—	—
Expired .....	—	—	—	—
Forfeited .....	—	—	—	—
Balance at Sept. 30, 2001 .....	25,800	\$ 0.75	25,800	\$ 3.37
Exercisable at Sept. 30, 2001 .....	25,800	\$ 0.75	25,800	\$ 3.37

Total shares of common stock reserved pursuant to the aforementioned plans and the non-qualified options are 471,500.

The weighted average grant date fair value of options granted for the 1995 Plans during 2001 was \$4.18 and during 2000 was \$4.58. Total shares exercisable at September 30, 2001 and 2000 were 83,900 and 57,600 with a weighted average exercise price of \$3.17 and \$2.47, respectively.

During 2001, 40,000 options were exercised under a non-qualified stock option plan. At September 30, 2001, 3,000 options were outstanding and exercisable. The weighted average exercise price was \$2.25 per share.

The Black-Scholes model was used to estimate the fair value of the options. Significant assumptions include a risk-free interest rate of 3.5%, a volatility rate of 65.4%, and an expected life equal to the term of the options.

The following summarizes information about stock options outstanding at September 30, 2001:

	2001 <u>Number Outstanding</u>	<u>Range of Exercises Prices</u>	<u>Weighted Average Remaining Life</u>
Non-Qualified Plan .....	3,000	\$ 2.25	5.2 years
1991 Option Plan.....	25,800	\$ 0.75	.3 years
1995 Option Plan.....	162,900	\$ 2.25 to \$3.25	6.9 years
1995 Option Plan.....	251,000	\$ 3.50 to \$5.25	9.5 years
1995 Option Plan.....	3,000	\$ 5.88	8.0 years
1996 Option Plan.....	<u>25,800</u>	<u>\$ 3.37</u>	<u>5.2 years</u>
	<u>471,500</u>	<u>\$ 0.75 to \$5.88</u>	<u>7.8 years</u>

The Company continues to account for stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost for stock options is recognized for stock option awards granted at or above fair market value. Had compensation expense for the Company's five stock-based compensation plans been determined

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

based upon fair values at the grant dates for awards under those plans in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below for the years ended September 30, 2001 and 2000:

	<u>Net Income</u>	<u>Basic Earnings Per Share</u>	<u>Diluted Earnings Per Share</u>
2001:			
As reported.....	\$ 1,224,000	\$ .31	\$ .30
Pro forma.....	\$ 1,104,000	\$ .28	\$ .27
2000:			
As reported.....	\$ 1,666,000	\$ .42	\$ .40
Pro forma.....	\$ 1,571,000	\$ .39	\$ .38

**Note 10 – Stock Purchase Plan and Unearned Compensation**

The Company reserved 100,000 shares of common stock for sale to eligible employees through payroll deductions over six month periods pursuant to the 1983 Employee Stock Purchase Plan (the "Purchase Plan"). The purchase price is the lower of 90% of the fair market value of the stock on the first or last day of the purchase period. Under the Purchase Plan, 9,927 were issued in 2000, at an average price of \$4.13. At September 30, 2000, there were 40,272 shares available for future purchase. This plan was inactive during the year ended September 30, 2001.

The Company adopted an incentive compensation plan that provides for a portion of the annual award to be paid in the form of stock of the Company subject to vesting requirements. In 2000, 46,292 shares were issued at a weighted average fair market value of \$3.63 per share. These shares will be issued upon the completion of the vesting period. Unearned stock-based compensation consists of the remaining unamortized portion of such stock award. The Company amortized \$50,000 and \$139,000 in 2001 and 2000, respectively.

**Note 11 – Treasury Stock**

During 2000, the Company began acquiring shares of its common stock in connection with a stock repurchase program announced in May 2000. That program authorizes the Company to purchase up to 500,000 common shares from time to time on the open market. The Company purchased 53,245 shares and 72,000 shares during the years ended September 30, 2001 and 2000, respectively, at an aggregate cost of \$240,000 in 2001 and \$285,000 in 2000. The purpose of the stock repurchase is to help the Company achieve its goal of enhancing stockholder value.

**Note 12 – Income Taxes**

The income tax provision for the years ended September 30, 2001 and 2000 consisted of the following:

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

	September 30,	
	2001	2000
Current:		
Federal .....	\$ 455,000	\$ 831,000
State .....	84,000	184,000
Deferred:		
Federal .....	202,000	6,000
State .....	38,000	5,000
	\$ 779,000	\$ 1,026,000

The Company's deferred tax assets are as follows:

	2001	2000
Federal .....	\$ 590,000	\$ 796,000
State .....	55,000	89,000
Total .....	\$ 645,000	\$ 885,000

Deferred tax assets consist of the following:

	2001	2000
Accrued vacation .....	\$ 121,000	\$ 95,000
Accrued severance .....	110,000	269,000
Net operating losses and tax credits .....	294,000	323,000
Uncollectible accounts .....	76,000	82,000
Other, net .....	44,000	116,000
	\$ 645,000	\$ 885,000

The provision for income taxes from income from operations in 2001 and 2000 varied from the U.S. statutory rate for the following reasons:

	2001	2000
Federal statutory rate .....	34.0%	34.0%
State income taxes, net of federal tax benefit .....	4.0	4.6
Change in valuation allowance .....	—	(7.2)
Prior year items .....	—	6.2
Other, net .....	.9	.5
	38.9%	38.1%

The net operating loss carryforwards (NOLs) expire principally in 2011, 2012, and 2013. The NOLs were acquired in the Acquisition and are subject to limitations as to their utilization under the Internal Revenue Code. As a result of uncertainties as to the Company's ability to generate sufficient taxable income in future periods, the Company provided a valuation allowance on the opening balance sheet for a portion of the NOLs acquired in the Acquisition. To the extent that these NOLs become realized, or that the valuation allowance on these NOLs is reduced, the corresponding tax benefits are first used to reduce goodwill to zero and thereafter will serve to reduce any provision for income taxes.

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

During 2000, the Company reduced the valuation allowance by \$320,000. The reduction in the valuation allowance resulted from changes in the uncertainties surrounding the Company's ability to generate future taxable income based on the Company's sustained profitability in 2000 and 1999 and future projections of taxable income.

The change in the valuation allowance in 2000 of \$125,000 was used to reduce goodwill to zero. The remaining change in the valuation allowance in 2000 of \$195,000 served to reduce income tax expense.

**Note 13 – Concentrations of Credit and Other Business Risk**

As of September 30, 2001 and 2000, the Company had funds on deposit in excess of the federally insured amount with a bank. Approximately 90% of the Company's revenues are generated from contracts with U.S. Government agencies or U.S. Government contractors. During the years ended September 30, 2001 and 2000, the Company recorded revenues from three significant contracts. For 2001 and 2000, those contracts include the U.S. Navy Integrated Electronic Warfare Systems (AIEWS) subcontract from Lockheed Martin Corporation, the U.S. Navy AN/BLQ-10 (V)1 and (V)2 contract, and the U.S. Navy Bobcat Systems contract. Revenues from these contracts amounted to 38%, 13%, and 5% of fiscal year 2001 total revenue and 25%, 8%, and 15% of fiscal year 2000 total revenue, respectively.

Companies which are engaged in the supply of defense-related equipment to the Government are subject to certain business risks, some of which are peculiar to that industry. Among these are: the cost of obtaining trained and skilled employees; the uncertainty and instability of prices for raw materials and supplies; the problems associated with advanced designs, which may result in unforeseen technological difficulties and cost overruns; and the intense competition and the constant necessity for improvement in facilities and personnel training. Sales to the Government may be affected by changes in procurement policies, budget considerations, changing concepts of national defense, social and economic developments abroad and other factors.

**Note 14 – New Accounting Pronouncements**

The Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets," in June 2001. SFAS No. 141 requires all business combinations completed after June 30, 2001, be accounted for under the purchase method. Management does not expect the implementation of these new pronouncements to have a significant impact on the Company's financial position or its results of operation.

The FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," on August 15, 2001, and SFAS No. 144, "Accounting for the Impairment of Disposal of Long-Lived Assets," on October 4, 2001. These pronouncements will be adopted in 2002, and management of the Company does not expect the implementation of these new pronouncements to materially impact the Company's financial position or its results of operations.

**Note 15 – Segments Information**

The Company operates in the passive surveillance and countermeasures market for domestic and international clients. The Company's systems are globally applicable to the defense markets and their allied information agencies for land, air, and sea-based applications. The Company believes that its passive surveillance and countermeasures products and services are among the best in the world. The Company's goal is to provide its customers with total system surveillance solutions across the electromagnetic spectrum, using

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

products manufactured by it and by others. The Company is customer-focused by providing tailored solution-based systems as follows:

- Electronic Warfare (EW) Group designs, develops, and supports products which intercept, analyze, classify, identify, localize and track microwave signals from radars and weapons. The Company's Electronic Support Measure (ESM) systems are used on military platforms, such as ships, submarines, patrol aircraft, and at ground installations, to intercept, analyze and identify radar/weapon signals. Where the client desires to obtain electronic countermeasures for these potential threats, the Electronic Warfare Group provides integrated Electronic Countermeasures (ECM) systems for both tactical and training scenarios.
- Communication (Comms) Group designs, develops, and supports products which intercept signals, analyze the on-line communication, and identify and localize the involved parties. These systems are generally employed in aircraft, ships and ground installations to intercept transmissions occurring over established communications networks.
- Imaging Group designs, develops, and supports products for multispectral, infrared, and light imaging systems which are employed on land and on aircraft for the remote sensing of damage assessment, environmental pollution, facility inspection, utility monitoring, and situation awareness.

All three business segments offer applicable system engineering services which provide concept studies, system definition and services to aid in specification of customer requirements. These activities are performed for either present or prospective customers and are principally undertaken to assist the customer in the procurement of major integrated passive surveillance systems and where applicable, active electronic countermeasures.

Manufacturing of the Communications Group and Electronic Warfare Group systems is accomplished from the Newington facility. The Imaging Group products are manufactured in the Ann Arbor, Michigan, facility.

The Company does not have a significant amount of inter-segment revenue and evaluates segment performance based upon revenue and income from operations by group. The combined segments income from operations equals the income from operations as reported in the Consolidated Income Statements of the Company. The Company does not allocate interest, other income and expenses or income taxes to the three segments and does not produce separate balance sheet information for each segment. The revenue and income from operations by segment for the years ended September 30, 2001 and 2000 are as follows:

**SENSYTECH, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued**

	September 30,	
	2001	2000
Revenue:		
EW .....	\$11,342,000	\$16,333,000
Comms.....	3,640,000	4,491,000
Imaging .....	<u>1,409,000</u>	<u>1,882,000</u>
Total.....	<u>\$16,391,000</u>	<u>\$22,706,000</u>
Income (Loss) From Operations:		
EW .....	\$ 949,000	\$ 2,167,000
Comms.....	611,000	667,000
Imaging .....	<u>186,000</u>	<u>(297,000)</u>
Total.....	<u>\$ 1,746,000</u>	<u>\$ 2,537,000</u>

**Note 16 – Subsequent Events**

On October 3, 2001, the Company purchased certain assets used in the California operations of FEL Corporation for \$400,000. The Company also assumed five executory contracts pertaining to the operating leases of real and personal property, and hired all eleven employees who were employed by FEL.

The Company will account for this transaction using the purchase method of accounting.

## SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SENSYTECH, INC.  
(Registrant)

By: /s/ S. Kent Rockwell  
S. Kent Rockwell  
Chairman of the Board of Directors, Chief  
Executive Officer, and President

Date: December 21, 2001

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>
<u>/s/ S. Kent Rockwell</u> S. Kent Rockwell Date: December 21, 2001	Director and Chief Executive Officer
<u>/s/ Donald F. Fultz</u> Donald F. Fultz Date: December 21, 2001	Vice President and Chief Financial Officer (Principal Financial & Accounting Officer)
<u>/s/ S. R. Perrino</u> S. R. Perrino Date: December 21, 2001	Director
<u>/s/ Charles W. Bernard</u> Charles W. Bernard Date: December 21, 2001	Director
<u>/s/ Philip H. Power</u> Philip H. Power Date: December 21, 2001	Director
<u>/s/ John D. Sanders</u> John D. Sanders Date: December 21, 2001	Director
<u>/s/ John Irvin</u> John Irvin Date: December 21, 2001	Director

---

---

**Item 13. (a)**  
**Exhibit (i)**

**SENSYTECH, INC.**

(a Delaware Corporation)

**Amended and Restated**  
**Bylaws**

*(as adopted on February 14, 2001)*

---

---

# SENSYTECH, INC.

## Amended and Restated Bylaws

### Article 1: Stockholders

**Section 1.1. Annual Meeting.** There shall be an annual meeting of the stockholders of Sensytech, Inc. (the "Corporation") no later than the last day of February of each year at 10:00 a.m. local time, or at such other date or time as shall be designated from time to time by the board of directors of the Corporation (the "Board of Directors") and stated in the notice of the meeting, for the election of directors and for the transaction of such other business as may come before the meeting.

**Section 1.2. Special Meetings.** A special meeting of the stockholders of the Corporation may be called at any time by the Board of Directors, the Chief Executive Officer or by the written request of a majority of the members of the Board of Directors. Any call for a special meeting of the stockholders shall specify the purpose or purposes for which the meeting is being called.

**Section 1.3. Notice of Meetings.** Written notice of each meeting of stockholders, whether annual or special, stating the date, hour and place thereof, shall be served either personally or by mail, not less than ten nor more than sixty days before the meeting, upon each stockholder of record entitled to vote at such meeting and upon any other stockholder to whom the giving of notice of such a meeting may be required by law. Notice of a special meeting shall also state the purpose or purposes for which the meeting is called and shall indicate that such notice is being issued by or at the direction of the Board of Directors. If, at any meeting, action is proposed to be taken that would, if taken, entitle stockholders to receive payment for their stock pursuant to the General Corporation Law of the State of Delaware, the notice of such meeting shall include a statement of that purpose and to that effect. If mailed, notice shall be deemed to be delivered when deposited in the United States mail or with any private document delivery service, postage or delivery fee prepaid, and shall be directed to each such stockholder at its address as it appears on the records of the Corporation or such other address as the stockholder shall designate in writing.

**Section 1.4. Place of Meeting.** The Board of Directors may designate any place, either in the State of Delaware or outside the State of Delaware, as the place a stockholder meeting shall be held for any annual meeting or any special meeting called by the Board of Directors. If no designation is made, the place of such meeting shall be the principal office of the Corporation.

**Section 1.5. Fixing Date of Record.** In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date which: (a) shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and (b) shall not be less than ten nor more than sixty days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date which: (a) shall not precede the date upon which the resolution fixing the record date is adopted, and (b) shall be not more than sixty days prior to such action. If no record date is

**BYLAWS OF SENSYTECH, INC., continued**  
*(as adopted on February 14, 2001)*

fixed by the Board of Directors, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

**Section 1.6. Inspectors.** At each meeting of the stockholders, the polls shall be opened and closed, the proxies and ballots shall be received and be taken in charge, and all questions touching the qualification of voters, the validity of proxies and the acceptance or rejection of votes shall be decided by one or more inspectors. Such inspectors shall be appointed by the Board of Directors before or at such meeting or, if no such appointment shall have been made, then by the presiding corporate officer at the meeting. If, for any reason, any of the inspectors previously appointed shall fail to attend the meeting or shall refuse or be unable to serve, inspectors in place of any inspectors so failing to attend or refusing or being unable to serve shall be appointed in like manner.

**Section 1.7. Quorum.** At any meeting of the stockholders, the holders of one-third of the outstanding shares of each class and series, if any, of the capital stock of the Corporation present in person or represented by proxy, shall constitute a quorum of the stockholders for all purposes, unless the representation of a larger number shall be required by law, in which case, the representation of the number so required shall constitute a quorum.

If the holders of the amount of stock necessary to constitute a quorum shall fail to attend in person or by proxy at the time and place fixed in accordance with these Bylaws for an annual or special meeting, a majority in interest of the stockholders present in person or by proxy may adjourn, from time to time, without notice other than by announcement at the meeting, until the requisite holders of the amount of stock necessary to constitute a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

**Section 1.8. Business.** The chairman, if any, of the Board of Directors, or, in his absence the vice-chairman, if any, of the Board of Directors or the president of the Corporation or a vice-president of the Corporation, in the order named, shall call meetings of the stockholders to order and shall act as the chairman of such meeting. The secretary of the Corporation shall act as secretary at all meetings of the stockholders, but in the absence of the secretary at any meeting of the stockholders, the presiding corporate officer may appoint any person to act as the secretary of the meeting.

**Section 1.9. Stockholder Proposals.** No proposal by a stockholder shall be presented for vote at an annual meeting of stockholders unless such stockholder shall, not later than the close of business on the last business day of the month of October, provide the Board of Directors or the secretary of the Corporation with written notice of its intention to present a proposal for action at the forthcoming meeting of stockholders. No proposal by a stockholder shall be presented for vote at a special meeting of stockholders unless such stockholder shall, not later than the close of business on the tenth calendar day following the date on which notice of such meeting is first given to stockholders, provide the Board of Directors or the secretary of the Corporation with written notice of its intention to present a proposal for action at the forthcoming special meeting of stockholders. Any such notice shall be given by personal delivery or shall be sent via first class certified mail, return receipt requested, postage prepaid and shall include the name and address of such stockholder, the number of voting securities that such stockholder holds of record and a statement that such stockholder holds beneficially (or if such stockholder of record does not own such shares beneficially, including the executed consent and authorization of the beneficial stockholder), the text of the proposal to be presented for vote at the meeting and a statement in support of the proposal. No new business proposed by a stockholder shall be acted upon at such annual or special meeting unless stated and filed as herein provided.

Notwithstanding any other provision of these Bylaws, the Corporation shall be under no obligation to include any stockholder proposal in its proxy statement materials or otherwise present any such proposal to stockholders at a special or annual meeting of stockholders if the Board of Directors reasonably believes the

**BYLAWS OF SENSYTECH, INC., continued**  
*(as adopted on February 14, 2001)*

proponents thereof have not complied with Sections 13 or 14 of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder; nor shall the Corporation be required to include any stockholder proposal not required to be included in its proxy materials to stockholders in accordance with any such section, rule or regulation.

**Section 1.10. Voting; Proxies.** At all meetings of stockholders, a stockholder entitled to vote may vote either in person or by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact. Such proxy shall be filed with the secretary of the Corporation at or before the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

**Section 1.11. Voting by Ballot.** The votes for directors, and upon the demand of any stockholder or when required by law, the votes upon any question before the meeting, shall be by ballot.

**Section 1.12. Voting Lists.** The corporate officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares of stock registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to such meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city in which such meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where such meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present.

**Section 1.13. Voting of Stock of Certain Holders.** Shares of capital stock of the Corporation standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or in the absence of such provision, as the board of directors of such corporation may determine.

Shares of capital stock of the Corporation standing in the name of a deceased person, a minor ward or an incompetent person may be voted by such person's administrator, executor, court-appointed guardian or conservator, either in person or by proxy, without a transfer of such stock into the name of such administrator, executor, court-appointed guardian or conservator. Shares of capital stock of the Corporation standing in the name of a trustee may be voted by such trustee, either in person or by proxy.

Shares of capital stock of the Corporation standing in the name of a receiver may be voted by such receiver, either in person or by proxy, and stock held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority to do so is contained in any appropriate order of the court by which such receiver was appointed.

A stockholder whose stock is pledged shall be entitled to vote such stock, either in person or by proxy, until the stock has been transferred into the name of the pledgee; thereafter, the pledgee shall be entitled to vote, either in person or by proxy, the stock so transferred.

Shares of its own capital stock belonging to the Corporation shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares of capital stock at any given time; however, shares of the Corporation's own capital stock held by it in a fiduciary capacity may be voted and shall be counted in determining the total number of shares of outstanding capital stock at any given time.

**BYLAWS OF SENSYTECH, INC., continued**  
*(as adopted on February 14, 2001)*

**Article 2: Board of Directors**

**Section 2.1. Number and Term of Office.** The business and the property of the Corporation shall be managed and controlled by the Board of Directors. The Board of Directors shall consist of no fewer than three directors and no more than ten directors. Within the limits above specified, the number of directors shall be determined by the Board of Directors pursuant to a resolution adopted by a majority of the directors then in office. Except as provided herein in these bylaws, directors shall be elected at the annual meeting of stockholders and each director shall serve for one year and until his or her successor shall be elected and qualified. Directors need not be stockholders.

**Section 2.2. Removal.** Any director, any class of directors or the entire Board of Directors may be removed from office by stockholder vote at any time without regard to reason therefore, but only if the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of each class and series, if any, of the capital stock of the Corporation entitled to vote upon election of directors shall vote in favor of such removal.

**Section 2.3. Vacancies.** Vacancies in the Board of Directors, including vacancies resulting from an increase in the number of directors, shall be filled only by the affirmative vote a majority of the remaining directors then in office, although the same may represent less than a quorum; except that vacancies resulting from removal from office by a vote of the stockholders may be filled by the stockholders at the same meeting at which such removal occurs; provided, however, that the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of each class and series, if any, of the capital stock of the Corporation entitled to vote upon the election of directors shall vote for each replacement director. All directors elected to fill vacancies shall hold office for a term expiring at the time of the next annual meeting of stockholders and until his or her successor shall be elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of an incumbent director. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at any time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the Board of Directors (as constituted immediately prior to any applicable increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the total number of the shares of capital stock at the time outstanding, taken together as a class, having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

**Section 2.4. Place of Meetings, etc.** The Board of Directors may hold its meetings, and may have an office and keep the books of the Corporation (except as otherwise may be provided by law), in such place or places in the State of Delaware or outside of the State of Delaware, as the Board of Directors may determine from time to time. Any director may participate telephonically in any meeting of the Board of Directors in accordance with Section 2.14 and such participation shall be considered to be the same as his physical presence thereat.

**Section 2.5. Regular Meetings.** Regular meetings of the Board of Directors shall be held on the day of the annual meeting of stockholders after the adjournment thereof and at such other times and places as the Board of Directors may fix. No notice shall be required for any such regular meeting of the Board of Directors.

**Section 2.6. Special Meetings.** Special meetings of the Board of Directors shall be held whenever called by direction of the chairman of the Board of Directors, the Vice-Chairman of the Board of Directors, the president of the Corporation, a vice-president of the Corporation or of the directors then in office. The secretary or any assistant secretary of the Corporation shall give notice of each special meeting, stating the date, hour and place thereof, by delivering the same personally or by mail, at least five days before such

**BYLAWS OF SENSYTECH, INC., continued**  
*(as adopted on February 14, 2001)*

meeting, to each director; however, such notice may be waived by any director. If mailed, notice shall be deemed to be delivered when deposited in the United States mail or with any private express document delivery service, postage or delivery fee prepaid. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting. At any meeting at which every director shall be present, even though without any notice, any business may be transacted.

**Section 2.7. Quorum; Actions by Board.** A majority of the total number of directors then in office shall constitute a quorum for the transaction of business; however, if at any meeting of the Board of Directors there be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any meeting of the Board of Directors at which a quorum is present, action may be taken by the affirmative vote of at least a majority of the members of the Board of Directors in attendance at such meeting, unless otherwise set forth herein.

**Section 2.8. Business.** Business shall be transacted at meetings of the Board of Directors in such order as the Board of Directors may determine. At all meetings of the Board of Directors, the chairman, if any, of the Board of Directors, or in his absence the vice-chairman, if any, of the Board of Directors, the president of the Corporation, or an executive vice-president of the Corporation, in the order named, shall preside.

**Section 2.9. Contracts.** No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of the Corporation's directors or officers have a financial interest or are directors or officers, shall be void or voidable solely for this reason or solely because such director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes such contract or transaction, or solely because his or their votes are counted for such purpose, if:

(a) The material facts relating to such officer's or director's relationship or interest and relating to the contract or transaction are disclosed or are known to the Board of Directors or committee thereof, and the Board of Directors or committee thereof in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, although the disinterested directors may represent less than a quorum; or

(b) The material facts relating to such officer's or director's relationship or interest and relating to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(c) The contract or transaction is fair with respect to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders.

For purposes of the foregoing provisions, interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee thereof which authorizes such a contract or transaction.

**Section 2.10. Compensation of Directors.** Each director of the Corporation who is not a salaried officer or employee of the Corporation or of a subsidiary of the Corporation shall receive such allowances for serving as a director and such fees for attendance at meetings of the Board of Directors, the executive committee or any other committee appointed by the Board of Directors as the Board of Directors may from time to time determine.

**Section 2.11. Election of Officers and Committees.** At the first regular meeting of the Board of Directors held after each annual meeting of stockholders, the Board of Directors shall elect the officers of the Corporation and members of the executive committee, if there is one, as provided in Articles 3 and 4 of these

**BYLAWS OF SENSYTECH, INC., continued**  
*(as adopted on February 14, 2001)*

Bylaws. The Board of Directors may designate such other committees with such power and authority (to the extent permitted by law, the Corporation's Certificate of Incorporation, as in effect, and these Bylaws), as may be provided by resolution of the Board of Directors.

**Section 2.12. Nomination.** Subject to the rights of holders of any class or series of stock having a preference over the common stock of the Corporation as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intention to make such nomination or nominations has been given, either by personal delivery or by United States first class certified mail, postage prepaid, return receipt requested, to the secretary of the Corporation not later than: (a) with respect to an election to be held at an annual meeting of stockholders, the close of business on the last day of the month of October, and (b) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (i) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the stockholder is a holder of record of capital stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (iv) such other information regarding each such nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated by the Board of Directors; and (v) the consent of each such nominee to serve as a director of the Corporation if so elected. The presiding corporate officer at the meeting may refuse to permit the nomination of any person not made in compliance with the foregoing procedure.

**Section 2.13. Action by Written Consent.** Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing and such writing is filed with the minutes of the proceedings of the Board of Directors or the committee.

**Section 2.14. Participation by Conference Telephone.** Members of the Board of Directors or any committee thereof may participate in a regular or special meeting of the Board of Directors or committee thereof by means of conference telephone or similar communications equipment by means of which all persons participating in such meeting can hear one another and such participation shall constitute presence in person at such meeting.

**Article 3: Executive Committee**

**Section 3.1. Number and Term of Office.** The Board of Directors may, by resolution adopted by the affirmative vote of a majority of the members of the Board of Directors, create an executive committee and elect the members thereof from among the directors then in office. The executive committee shall consist of such number of members as may be fixed from time to time by resolution of the Board of Directors in accordance with and as permitted by applicable law. The Board of Directors by resolution shall appoint those directors who shall serve as members of the executive committee. Unless otherwise ordered by the Board of Directors, each elected member of the executive committee shall continue to be a member thereof until the expiration of his term of service as a director.

**Section 3.2. Powers.** The executive committee may, while the Board of Directors is not in session, exercise all or any of the powers of the Board of Directors in all cases in which specific directions shall not

**BYLAWS OF SENSYTECH, INC., continued**  
*(as adopted on February 14, 2001)*

have been given by the Board of Directors; provided, however, that the executive committee shall not have the power or authority of the Board of Directors with respect to amending the Corporation's Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, amending the Bylaws, declaring a dividend, authorizing the issuance of stock or adopting a certificate of ownership and merger.

**Section 3.3. Meetings.** Regular meetings of the executive committee may be held without notice at such times and places as the executive committee may fix from time to time by resolution. Special meetings of the executive committee may be called by any member thereof by delivery of not less than five days notice, given in person, by mail, by telegraph or by facsimile (if allowed by law) to each member, stating the place, date and hour of the meeting, but such notice may be waived by any member of the executive committee. If mailed, notice shall be deemed to be delivered when deposited in the United States mail or with any private document delivery service, postage or delivery fee prepaid. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting. At any meeting at which every member of the executive committee shall be present, in person or by telephone, even though without any notice, any business may be transacted.

**Section 3.4. Presiding Officer.** At all meetings of the executive committee, the chairman of the executive committee, who shall be designated by the Board of Directors from among the members of the committee, shall preside, and the Board of Directors shall designate a member of such committee to preside in the absence of the chairman thereof. The Board of Directors may also similarly elect from its members one or more alternate members of the executive committee to serve at the meetings of such committee in the absence or disqualification of any regular member or members, and, in case more than one alternate is elected, shall designate at the time of election the priorities as between them.

**Section 3.5. Vacancies.** The Board of Directors, by the affirmative vote of a majority of the members of the Board of Directors then in office, shall fill vacancies in the executive committee by election from the directors.

**Section 3.6. Rules of Procedure; Quorum.** All action by the executive committee shall be reported to the Board of Directors at the next succeeding meeting of the Board of Directors after such action has been taken and shall be subject to revision or alteration by the Board of Directors; provided, however, that no rights or acts of third parties shall be affected by any such revision or alteration. The executive committee shall fix its own rules of procedure, and shall meet where and as provided by such rules or by resolution of the Board of Directors, but in every case the presence of a majority of the total number of members of the executive committee shall be necessary to constitute a quorum. In every case, the affirmative vote of a majority of all of the members of the executive committee present at the meeting shall be necessary for the adoption of any resolution.

**Article 4: Officers**

**Section 4.1. Number and Term of Office.** The officers of the Corporation shall be a president, a chief executive officer, one or more vice-presidents with such designations, if any, as may be determined by the Board of Directors, a chief financial officer, a secretary, a treasurer, and such other officers as may be elected or appointed from time to time by the Board of Directors, including such assistant secretaries and assistant treasurers as may be determined by the Board of Directors. In addition, the Board of Directors may elect a chairman thereof and may also elect a vice-chairman as officers of the Corporation (each of whom shall be a director). Any two or more offices may be held by the same person, except that the offices of president and secretary, and president and vice president, may not be held by the same person. In its discretion, the Board of Directors may leave any office unfilled.

**BYLAWS OF SENSYTECH, INC., continued**  
*(as adopted on February 14, 2001)*

The officers of the Corporation shall be elected or appointed annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. Each officer shall hold office until his or her successor shall have been duly elected or appointed, until his or her death or until he or she shall resign or shall have been removed by the Board of Directors.

**Section 4.2. Vacancies.** Vacancies or new offices may be filled at any time by the affirmative vote of a majority of the members of the Board of Directors.

**Section 4.3. Removal.** Any officer may be removed by the Board of Directors whenever, in its judgment, the best interests of the Corporation would be served thereby.

**Section 4.4. The Chairman of the Board of Directors.** The chairman, if any, of the Board of Directors shall preside at all meetings of stockholders and of the Board of Directors and shall have such other authority and perform such other duties as are prescribed by law, by these Bylaws and by the Board of Directors. The Chairman may sign, with the secretary of the Corporation or an authorized assistant secretary, certificates for stock of the Corporation. The Board of Directors may designate the chairman thereof as chief executive officer, in which case he shall have such authority and perform such duties as are prescribed by these Bylaws and the Board of Directors for the chief executive officer.

**Section 4.5. The Vice-Chairman of the Board of Directors.** The vice-chairman, if any, of the Board of Directors shall have such authority and perform such other duties as are prescribed by these Bylaws and by the Board of Directors. In the absence or inability to act of the chairman of the Board of Directors, the vice-chairman shall preside at the meetings of the stockholders and of the Board of Directors and shall have and exercise all of the powers and duties of the chairman of the Board of Directors. The Vice-Chairman may sign, with the secretary of the Corporation or an authorized assistant secretary, certificates for stock of the Corporation. The Board of Directors may designate the vice-chairman as chief executive officer, in which case he shall have such authority and perform such duties as are prescribed by these Bylaws and the Board of Directors for the chief executive officer.

**Section 4.6. The President.** The president of the Corporation shall have such authority and perform such duties as are prescribed by law, by these Bylaws, by the Board of Directors and by the chief executive officer (if the president is not the chief executive officer). If there is no chairman or vice-chairman, of the Board of Directors, or in the chairman's or vice-chairman's absence or the chairman's or vice-chairman's inability to act as the chairman of the Board of Directors, the president shall preside at all meetings of stockholders and of the Board of Directors. The president may sign, with the secretary of the Corporation or an authorized assistant secretary, certificates for stock of the Corporation. Unless the Board of Directors designates the chairman of the Board of Directors or the vice-chairman as chief executive officer, the president shall be the chief executive officer, in which case he shall have such authority and perform such duties as are prescribed by these Bylaws and the Board of Directors for the chief executive officer.

**Section 4.7. The Chief Executive Officer.** Unless the Board of Directors designates the chairman of the Board of Directors or the vice-chairman as chief executive officer, the president shall be the chief executive officer of the Corporation. Subject to the supervision and direction of the Board of Directors, the chief executive officer of the Corporation shall have general supervision of the business, property and affairs of the Corporation, including the power to appoint and discharge agents and employees, and the powers vested in him or her by the Board of Directors, by law or by these Bylaws or which usually attach or pertain to such office.

**Section 4.8. The Chief Financial Officer.** Subject to the direction and supervision of the chief executive officer and the Board of Directors, the Chief Financial Officer shall be primarily responsible for the financial and accounting affairs of the Corporation. In addition, he or she shall perform such other duties as

**BYLAWS OF SENSYTECH, INC., continued**  
*(as adopted on February 14, 2001)*

may be assigned to him or her from time to time by the chairman of the Board of Directors, the president, the Board of Directors or these Bylaws.

**Section 4.9. The Vice-Presidents.** In the absence or inability or refusal to act of the chairman of the Board of Directors, if any, the president of the Corporation, and the vice-chairman, if any, of the Board of Directors, the vice-president of the Corporation (or in the event there is more than one vice-president of the Corporation, the vice-presidents thereof in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the chairman of the Board of Directors, of the president of the Corporation and of the vice-chairman of the Board of Directors, and when so acting, shall have all the powers of and be subject to all the restrictions upon the chairman of the Board of Directors, the president of the Corporation and the vice-chairman of the Corporation. The vice-presidents of the Corporation shall perform such duties as may be assigned to them from time to time by the chairman of the Board of Directors, the president, the vice-chairman, the Board of Directors, or these Bylaws.

**Section 4.10. The Treasurer.** Subject to the direction of the chief executive officer of the Corporation and the Board of Directors, the treasurer of the Corporation shall: (a) have charge and custody of all the funds and securities of the Corporation; (b) when necessary or proper, endorse for collection or cause to be endorsed on behalf of the Corporation, checks, notes and other obligations, and cause the deposit of the same to the credit of the Corporation in such bank or banks or depository as the Board of Directors may designate or as the Board of Directors by resolution may authorize; (c) sign all receipts and vouchers for payments made to the Corporation other than routine receipts and vouchers, the signing of which he or she may delegate; (d) sign all checks made by the Corporation (provided, however, that the Board of Directors may authorize and prescribe by resolution the manner in which checks drawn on banks or depositories shall be signed, including the use of facsimile signatures, and the manner in which officers, agents or employees shall be authorized to sign); (e) unless otherwise provided by resolution of the Board of Directors, sign with an officer-director all bills of exchange and promissory notes of the Corporation; (f) if authorized by the Board of Directors, sign with the president or an executive vice-president all certificates representing shares of the capital stock; (g) whenever required by the Board of Directors, render a statement of his or her cash account; (h) enter regularly full and accurate account of the Corporation in books of the Corporation to be kept by the treasurer for that purpose; (i) exhibit, at all reasonable times, his or her books and accounts to any director of the Corporation upon application at the treasurer's office during regular business hours; and (j) perform all acts incident to the position of treasurer. If required by the Board of Directors, the treasurer of the Corporation shall give a bond for the faithful discharge of his or her duties in such sum as the Board of Directors may require.

**Section 4.11. The Secretary.** The secretary of the Corporation shall: (a) keep the minutes of all meetings of the Board of Directors, the minutes of all meetings of the stockholders and (unless otherwise directed by the Board of Directors) the minutes of all committees, in books provided for that purpose; (b) attend to the giving and serving of all notices of the Corporation; (c) sign with an officer or director or any other duly authorized person, in the name of the Corporation, all contracts authorized by the Board of Directors or by the executive committee, and, when so ordered by the Board of Directors or the executive committee, affix the seal of the Corporation thereto; (d) have charge of the certificate books, transfer books and stock ledgers, and such other books and papers as the Board of Directors or the executive committee may direct, all of which shall, at all reasonable times, be open to the examination of any director, upon application at the secretary's office during regular business hours; and (e) in general, perform all of the duties incident to the office of the secretary, subject to the control of the chief executive officer and the Board of Directors.

**Section 4.12. The Assistant Treasurers and Assistant Secretaries.** The assistant treasurers of the Corporation shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors may determine. The assistant secretaries of the Corporation as thereunto authorized by the Board of Directors may sign with the chairman of

**BYLAWS OF SENSYTECH, INC., continued**  
*(as adopted on February 14, 2001)*

the Board of Directors, the president of the Corporation, the vice-chairman of the Board of Directors or a vice-president of the Corporation, certificates for stock of the Corporation, the issue of which shall have been authorized by a resolution of the Board of Directors. The assistant treasurers and assistant secretaries, in general, shall perform such duties as shall be assigned to them by the treasurer or the secretary, respectively, or chief executive officer, the Board of Directors, or these Bylaws.

**Section 4.13. Salaries.** The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a director of the Corporation.

**Section 4.14. Voting Upon Stocks.** Unless otherwise ordered by the Board of Directors or by the executive committee, any officer or any person or persons appointed in writing by any of them, shall have full power and authority on behalf of the Corporation to attend, to act and to vote at any meetings of stockholders of any Corporation in which the Corporation may hold stock, and at any such meeting shall possess and may exercise any and all the rights and powers incident to the ownership of such stock, and which, as the owner thereof, the Corporation might have possessed and exercised if present. The Board of Directors may confer like powers upon any other person or persons.

**Article 5: Contracts and Loans**

**Section 5.1. Contracts.** The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

**Section 5.2. Loans.** No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

**Article 6: Certificates for Stock and Their Transfer**

**Section 6.1. Certificates for Stock.** Certificates representing shares of capital stock of the Corporation shall be in such form as may be determined by the Board of Directors. Such certificates shall be signed by the chairman of the Board of Directors, the president of the Corporation, the vice-chairman of the Board of Directors or a vice-president of the Corporation and by the secretary or an authorized assistant secretary and shall be sealed with the seal of the Corporation. The seal may be a facsimile. If a stock certificate is countersigned: (i) by a transfer agent other than the Corporation or its employee, or (ii) by a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In the event that any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. All certificates for capital stock shall be consecutively numbered or otherwise identified. The name of the person to whom the shares of capital stock represented thereby are issued, with the number of shares of capital stock and date of issue, shall be entered on the books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificates shall be issued until the former certificate for a like number of shares of capital stock shall have been surrendered and canceled, except that, in the event of a lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the Corporation as the Chief Executive Officer may prescribe.

**Section 6.2. Transfers of Stock.** Transfers of capital stock of the Corporation shall be made only on the books of the Corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly

**BYLAWS OF SENSYTECH, INC., continued**  
*(as adopted on February 14, 2001)*

executed and filed with the secretary of the Corporation, and on surrender for cancellation of the certificate for such capital stock. The person in whose name capital stock stands on the books of the Corporation shall be deemed to be the owner thereof for all purposes as regards the Corporation.

**Article 7: Fiscal Year**

**Section 7.1. Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of October in each year and end on the last day of September in each year.

**Article 8: Seal**

**Section 8.1. Seal.** The Board of Directors shall approve a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation.

**Article 9: Waiver of Notice**

**Section 9.1. Waiver of Notice.** Whenever any notice is required to be given under the provisions of these Bylaws or under the provisions of the Certificate of Incorporation or under the provisions of the General Corporation Law of the State of Delaware, waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance of any person at a meeting for which any notice is required to be given under the provisions of these Bylaws, the Certificate of Incorporation or the General Corporation Law of the State of Delaware shall constitute a waiver of notice of such meeting except when the person attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any businesses because the meeting is not lawfully called or convened.

**Article 10: Amendments**

**Section 10.1. Amendments.** These Bylaws may be altered, amended or repealed and new Bylaws may be adopted at any meeting of the Board of Directors by the affirmative vote of at least sixty-six and two-thirds percent (66 2/3%) of the members of the Board of Directors.

**Article 11: Indemnification and Advancement of Costs**

**Section 11.1. Indemnification and Advancement of Costs.** The Corporation shall indemnify its officers, directors, employees and agents to the fullest extent permitted by the General Corporation Law of the State of Delaware, as amended from time to time; and the Corporation may advance costs incurred by officers, directors, employees and agents of the Corporation or another corporation, partnership, joint venture, trust or other enterprise, in their defenses of any civil, criminal, administrative or investigative action or proceeding asserted against one or more of them by reason of the fact of his, her, or their serving or having served in such capacity or capacities at the request of the Corporation and in advance of a final disposition of such action, suit or proceeding to the fullest extent permitted by the General Corporation Law of the State of Delaware, as amended from time to time, provided that the terms and conditions of such advancement of costs is approved by the Board of Directors. Nothing herein is intended to limit the Corporation's authority to indemnify its officers, directors, employees and agents or to advance funds in connection therewith, under the General Corporation Law of the State of Delaware, as amended from time to time.

---

---

**Item 13. (a)**  
**Exhibit (ii)**

**CONSENT OF INDEPENDENT AUDITORS**

---

---

**Item 13. (a)**  
**Exhibit (ii)**

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-65351) of Sensytech, Inc. of our report dated November 30, 2001 relating to the financial statements and financial statement schedules, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Pittsburgh, PA  
December 20, 2001

# Corporate Information

## Board of Directors

**S. Kent Rockwell**  
*Chairman, CEO, President*  
Sensytech, Inc.

**Dr. Charles W. Bernard**  
*Founder*  
Columbia Bay Company

**John Irvin**  
*President*  
IBC, Inc.

**S.R. Perrino**  
*President, CEO*  
Instatcom, Inc.

**Philip H. Power**  
*Chairman*  
Hometown Communications Network, Inc.

**Dr. John D. Sanders**  
*Investment Banker/Consultant*  
Chairman, ITC Learning Corporation

## Executive Officers

**S. Kent Rockwell**  
*Chairman, CEO, President*

**Donald F. Fultz**  
*Vice President, Finance, Chief Financial Officer*

**James D. Ross**  
*Vice President, Communications*

**Lloyd A. Semple**  
*Secretary*

## Locations

### Corporate Headquarters

8419 Terminal Road, P.O. Box 1430  
Newington, VA 22122-1430  
Phone: (703) 550-7000  
Fax: (703) 550-0883

### Imaging Group

P.O. Box 1869  
Ann Arbor, MI 48106  
Phone: (734) 769-5649  
Fax: (734) 769-0429

### Electronic Warfare ASD Group

3883 Via Pescador, Suite D  
Camarillo, CA 93012  
Phone: (805) 482-3333  
Fax: (805) 482-4331

## Corporate Web Site

[www.sensytech.com](http://www.sensytech.com)



**United  
We  
Stand**



# Shareholder Information



**Symbol: STST**

Nasdaq SmallCap

**Investor Relations**

Jennifer Houston  
Sensytech, Inc.  
8419 Terminal Road  
P.O. Box 1430  
Newington, VA 22122-1430  
Phone: (703) 541-1559  
email: [jennifer.houston@sensytech.com](mailto:jennifer.houston@sensytech.com)

**Transfer Agent and Registrar**

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038  
Phone: (800) 937-5449

**General Counsel**

Plummer, Harty & Owsiany, LLP  
Gulf Tower, 28th Floor  
707 Grant Street  
Pittsburgh, PA 15219-1913

**Independent Auditors**

PricewaterhouseCoopers LLP  
USX Tower, 600 Grant Street  
Pittsburgh, PA 15219