L 3 COMMUNICATIONS HOLDINGS INC
Form DEF 14A
March 12, 2012
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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Rule 14a-12

L-3 COMMUNICATIONS HOLDINGS, INC.

(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:
2. Aggregate number of securities to which transaction applies:
3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
4. Proposed maximum aggregate value of transaction:
5. Total fee paid:

¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount previously paid:
2. Form, Schedule or Registration Statement No.:
3. Filing Party:
4. Date Filed:

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L-3 COMMUNICATIONS HOLDINGS, INC.

To Our Shareholders:

On behalf of the Board of Directors, I cordially invite you to attend the Annual Meeting of Shareholders of L-3 Communications Holdings, Inc., to be held at 2:30 p.m., Eastern Daylight Time, on Tuesday, April 24, 2012, at the Ritz-Carlton New York, Battery Park, located at Two West Street, New York, New York. The notice and proxy statement for the Annual Meeting are attached to this letter and describe the business to be conducted at the Annual Meeting.

In accordance with the rules of the Securities and Exchange Commission, we sent a Notice of Internet Availability of Proxy Materials on or about March 12, 2012 to our shareholders of record as of the close of business on March 1, 2012. We also provided access to our proxy materials over the Internet beginning on that date. If you received a Notice of Internet Availability of Proxy Materials by mail and did not receive, but would like to receive, a printed copy of our proxy materials, you should follow the instructions for requesting such materials included on page 4 of this proxy statement or in the Notice of Internet Availability of Proxy Materials.

To have your vote recorded, you should vote over the Internet or by telephone. In addition, if you have requested or received a paper copy of the proxy materials, you can vote by signing, dating and returning the proxy card sent to you in the envelope accompanying the proxy materials sent to you. We encourage you to vote by any of these methods even if you currently plan to attend the Annual Meeting. By doing so, you will ensure that your shares are represented and voted at the Annual Meeting. If you decide to attend, you can still vote your shares in person if you wish. Please let us know whether you plan to attend the Annual Meeting by indicating your plans when prompted over the Internet voting system or the telephone or (if you have received a paper copy of the proxy materials) by marking the appropriate box on the proxy card sent to you.

On behalf of the Board of Directors, I thank you for your cooperation and look forward to seeing you on April 24th.

Very truly yours,

Michael T. Strianese

Chairman, President and

Chief Executive Officer

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L-3 COMMUNICATIONS HOLDINGS, INC.

NOTICE OF 2012 ANNUAL MEETING OF

SHAREHOLDERS AND PROXY STATEMENT

Notice is hereby given that the 2012 Annual Meeting of Shareholders (the Annual Meeting) of L-3 Communications Holdings, Inc. (L-3 or the Company) will be held at the Ritz-Carlton New York, Battery Park, located at Two West Street, New York, New York on Tuesday, April 24, 2012, at 2:30 p.m., Eastern Daylight Time, for the following purposes:

1. Election of the three Class III Directors listed herein whose terms expire in 2015;

2. Approval of the L-3 Communications Holdings, Inc. 2012 Cash Incentive Plan;

3. Ratification of the appointment of our independent registered public accounting firm for 2012;

4. To approve, in a non-binding, advisory vote, the compensation paid to our named executive officers as described herein; and

5. Transaction of such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

By Order of the Board of Directors

Steven M. Post

Senior Vice President, General Counsel and

Corporate Secretary

March 12, 2012

IMPORTANT

Whether or not you currently plan to attend the Annual Meeting in person, please vote over the Internet or by telephone, or (if you received a paper copy of the proxy materials) complete, date, sign and promptly mail the paper proxy card sent to you. You may revoke your proxy if you attend the Annual Meeting and wish to vote your shares in person.

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L-3 Communications Holdings, Inc.

600 Third Avenue

New York, New York 10016

PROXY STATEMENT

This proxy statement is being made available to the holders of the common stock, par value $0.01 per share, of L-3 Communications Holdings, Inc. (the Common Stock) in connection with the solicitation of proxies for use at the Annual Meeting to be held at the Ritz-Carlton New York, Battery Park, located at Two West Street, New York, New York at 2:30 p.m., Eastern Daylight Time, on Tuesday, April 24, 2012.

RECORD DATE

Our Board of Directors has fixed the close of business on March 1, 2012 as the Record Date (the Record Date) for the Annual Meeting. Only shareholders of record at the Record Date are entitled to notice of, and to vote at, the Annual Meeting or at any adjournments or postponements thereof, in person or by proxy. At the Record Date, there were 98,896,328 shares of our Common Stock outstanding and entitled to vote at the Annual Meeting. Each holder of Common Stock is entitled to one vote for each share of our Common Stock held by such holder. The holders of a majority of the outstanding shares of our Common Stock entitled to vote generally in the election of directors, represented in person or by proxy, shall constitute a quorum at the Annual Meeting.

On or about March 12, 2012, we either mailed you a notice (the Notice) notifying you how to vote online and how to electronically access a copy of this proxy statement, our Summary Annual Report and our Annual Report on Form 10-K for the year ended December 31, 2011 (together referred to as the Proxy Materials) or mailed you a complete set of the Proxy Materials. If you have not received but would like to receive printed copies of these documents, including a proxy card in paper format, you should follow the instructions for requesting such materials contained in the Notice.

PROXIES

The proxies are solicited by our Board of Directors on our behalf for use at the Annual Meeting and any adjournments or postponements of the Annual Meeting, and the expenses of solicitation of proxies will be borne by us. The solicitation will be made primarily via the Internet and by mail, but our officers and regular employees may also solicit proxies by telephone, telegraph, facsimile, or in person. We also have retained Georgeson Inc. to assist in soliciting proxies. We expect to pay Georgeson Inc. approximately $10,000 plus expenses in connection with its solicitation of proxies.

Each shareholder may appoint a person (who need not be a shareholder), other than the persons named in the proxy, to represent him or her at the Annual Meeting by completing another proper proxy. In either case, such completed proxy should be returned in the envelope provided to you for that purpose (if you have requested or received a paper copy of the Proxy Materials) or should be delivered to L-3 Communications Holdings, Inc. c/o Computershare Investor Services, P.O. Box 43102, Providence, Rhode Island 02940-5068, not later than 1:00 a.m., Eastern Daylight Time, on Tuesday, April 24, 2012 or by 10:00 a.m., Eastern Daylight Time on Thursday, April 19, 2012 if you own shares through L-3 s 401(k) plan.

Any proxy delivered pursuant to this solicitation is revocable at the option of the person(s) executing the proxy upon our receipt, prior to the time the proxy is voted, of a duly executed instrument revoking it, or of a duly executed proxy bearing a later date, or by such person(s) voting in person at the Annual Meeting. Unless revoked, all proxies representing shares entitled to vote that are delivered pursuant to this solicitation will be voted at the Annual Meeting and, where a choice has been specified on the proxy card, will be voted in accordance with such specification. **Where a choice has not been specified on the proxy card, the proxy will be voted in accordance with the recommendations of our Board of Directors.**

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VOTING IN PERSON

If you are a shareholder of record and prefer to vote your shares at the Annual Meeting, you must bring proof of identification along with your Notice or the admission ticket attached to your proxy card if you received a paper copy. You may vote shares held in street name at the Annual Meeting only if you obtain a signed proxy from the record holder (broker or other nominee) giving you the right to vote the shares.

Even if you plan to attend the Annual Meeting, we encourage you to vote in advance by Internet, telephone or (if you received a paper copy of the Proxy Materials) by mail so that your vote will be counted even if you later decide not to attend the Annual Meeting. Voting your proxy by the Internet, telephone or mail will not limit your right to vote at the Annual Meeting if you later decide to attend in person. If you own your shares of our Common Stock through a bank, brokerage firm or other record holder and wish to vote in person at the Annual Meeting, you must request a legal proxy from your bank or broker or obtain a proxy from the record holder.

Please note that you may receive multiple copies of the Notice or Proxy Materials (electronically and/or by mail). These materials may not be duplicates as you may receive separate copies of the Notice or Proxy Materials for each type of account in which you hold shares of our Common Stock. Please be sure to vote all of your shares in each of your accounts in accordance with the directions on the proxy card(s) and/or voting instruction form(s) that you receive. In the case of duplicate votes for shares in a particular account, your last vote is the one that counts.

VOTING BY INTERNET, TELEPHONE OR MAIL

The following sets forth how a shareholder can vote over the Internet, by telephone or by mail:

Voting By Internet

If you hold your shares of our Common Stock through a bank or brokerage firm (i.e., you are not a registered holder), you can vote at www.proxyvote.com, 24 hours a day, seven days a week. You will need the 12-digit Control Number included on your Notice or your paper voting instruction form (if you received a paper copy of the Proxy Materials).

If you own your shares of our Common Stock directly in your name in our stock records maintained by our transfer agent, Computershare Trust Company, N.A., or through L-3 s 401(k) plan, you can vote at www.investorvote.com/LLL, 24 hours a day, seven days a week. You will need the 15-digit Control Number included on your paper proxy card.

Voting By Telephone

If you hold your shares of our Common Stock through a bank or brokerage firm, you can vote using a touch-tone telephone by calling the toll-free number included on your paper voting instruction form (if you received a paper copy of the Proxy Materials), 24 hours a day, seven days a week. You will need the 12-digit Control Number included on your paper voting instruction form.

If you own your shares of our Common Stock directly in your name in our stock records maintained by our transfer agent, Computershare Trust Company, N.A., or through L-3 s 401(k) plan, you can vote using a touch-tone telephone by calling 1-800-652-VOTE (8683), 24 hours a day, seven days a week. You will need the 15-digit Control Number included on your paper proxy card.

If you hold your shares in street name, you may also submit voting instructions to your bank, broker or other nominee. In most instances, you will be able to do this over the Internet, by telephone, or by mail. Please refer to the information from your bank, broker or other nominee on how to submit voting instructions.

The Internet and telephone voting procedures, which comply with Delaware law and the Securities and Exchange Commission (the SEC) rules, are designed to authenticate shareholders identities, to allow shareholders to vote their shares and to confirm that their instructions have been properly recorded.

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Voting By Mail

If you have received a paper copy of the Proxy Materials by mail, you may complete, sign, date and return by mail the paper proxy card or voting instruction form sent to you in the envelope provided to you with your Proxy Materials or voting instruction form.

Deadline for Submitting Votes By Internet, Telephone or Mail

If you hold your shares of our Common Stock through a bank or brokerage account, proxies submitted over the Internet or by telephone as described above must be received by 11:59 p.m., Eastern Daylight Time, on Monday, April 23, 2012.

If you own your shares of our Common Stock directly in your name in our stock records maintained by our transfer agent, Computershare Trust Company, N.A, proxies submitted over the Internet or by telephone as described above must be received by 1:00 a.m., Eastern Daylight Time, on Tuesday, April 24, 2012.

If you own your shares of our Common Stock through L-3 s 401(k) plan, proxies submitted over the Internet or by telephone as described above must be received by 10:00 a.m., Eastern Daylight Time, on Thursday, April 19, 2012.

Proxies submitted by mail should be returned in the envelope provided to you with your paper proxy card or voting instruction form, and must be received no later than 1:00 a.m., Eastern Daylight Time, on Tuesday, April 24, 2012 or by 10:00 a.m., Eastern Daylight Time, on Thursday, April 19, 2012 if you own your shares through L-3 s 401(k) plan.

REQUIRED VOTE

Assuming a quorum is present, a majority of the votes cast at the Annual Meeting is required for (1) the election of directors; (2) the approval of the L-3 Communications Holdings, Inc. 2012 Cash Incentive Plan; (3) the ratification of the appointment of the independent registered public accounting firm; and (4) the non-binding and advisory approval of the compensation paid to our named executive officers as described herein. Abstentions and instances where brokers are prohibited from exercising discretionary authority for beneficial owners who have not returned a proxy (so-called broker non-votes) will be counted for purposes of determining a quorum. In determining whether (i) a director nominee has been elected by the shareholders, (ii) the L-3 Communications Holdings, Inc. 2012 Cash Incentive Plan has been approved, and (iii) the compensation paid to our named executive officers has been approved, abstentions and broker non-votes will have no effect on the outcome of each of these proposals. Finally, for the selection of the independent registered public accounting firm, abstentions will have no effect on the outcome of this proposal.

Revocation of Proxies Submitted by Internet, Telephone or Mail

To revoke a proxy previously submitted over the Internet, by telephone or by mail, you may simply vote again at a later date, using the same procedures, in which case your later submitted vote will be recorded and your earlier vote revoked. You may also attend the Annual Meeting and vote in person.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on April 24, 2012.

The following Proxy Materials are available for you to view online at http://www.L-3com.com: (i) this proxy statement (including all attachments); (ii) our Summary Annual Report and Annual Report on Form 10-K, in each case for the year ended December 31, 2011 (which is not deemed to be part of the official proxy soliciting materials); and (iii) any amendments to the foregoing materials that are required to be furnished to shareholders. In addition, if you have not received a copy of our Proxy Materials and would like one, you may download an electronic copy of our Proxy Materials or request a paper copy at http://www.L-3com.com. You will also have the opportunity to request paper or email copies of our Proxy Materials for all future Annual Meetings.

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PROPOSAL 1. ELECTION OF DIRECTORS

Our Amended and Restated Certificate of Incorporation provides for a classified Board of Directors divided into three classes: Lewis Kramer, Robert B. Millard and Arthur L. Simon constitute a class with a term that expires at the Annual Meeting in 2012 (the Class III Directors); Claude R. Canizares, Thomas A. Corcoran and Alan H. Washkowitz constitute a class with a term that expires at the Annual Meeting in 2013 (the Class II Directors); and H. Hugh Shelton, Michael T. Strianese and John P. White constitute a class with a term that expires at the Annual Meeting in 2014 (the Class I Directors).

The full Board of Directors has considered and nominated the following slate of Class III nominees for a three-year term expiring in 2015: Lewis Kramer, Robert B. Millard and Arthur L. Simon. Action will be taken at the Annual Meeting for the election of these three nominees.

It is intended that the proxies delivered pursuant to this solicitation will be voted in favor of the election of Lewis Kramer, Robert B. Millard and Arthur L. Simon except in cases of proxies bearing contrary instructions. In the event that these nominees should become unavailable for election due to any presently unforeseen reason, the persons named in the proxy will have the right to use their discretion to vote for a substitute.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS IN 2012

The following information describes the offices held, other business directorships and the class and term of each nominee. Beneficial ownership of equity securities of the nominees is described in Security Ownership of Management on page 30.

Class III Directors Whose Term Expires in 2015

Name	Age	Principal Occupation And Other Information
Lewis Kramer	64	Director since July 2009. Member of the Audit and Compensation Committees. Mr. Kramer was a partner at Ernst & Young from 1981 until he retired in June 2009 after a nearly 40-year career at Ernst & Young. At the time of his retirement, Mr. Kramer served as the Global Client Service Partner for worldwide external audit and all other services for major clients. He previously served as Ernst & Young s National Director of Audit Services and served on the firm s United States Executive Board.
Robert B. Millard	61	Director since April 1997. Lead Independent Director of the Board of Directors and Chair of the Compensation and Executive Committees. Mr. Millard is currently the Managing Partner of Realm Partners LLC. He held various positions, including Managing Director, at Lehman Brothers and its predecessors from 1976 to 2008. Mr. Millard is also a director of GulfMark Offshore, Inc. He is also a current member of the Council on Foreign Relations.
Arthur L. Simon	80	Director since April 2001. Member of the Audit and Nominating/Corporate Governance Committees. Mr. Simon is an independent consultant. Before his retirement, Mr. Simon was a partner at Coopers & Lybrand LLP, Certified Public Accountants, from 1968 to 1994. He is a director of Loral Space & Communications Inc. and he serves as Chair of their Audit Committee.

The nominees for election to the Board of Directors are hereby proposed for approval by the shareholders. Assuming a quorum is present, a majority of the votes cast at the Annual Meeting is required for the election of each nominee.

The Board of Directors Recommends a Vote FOR Each of the Proposed Nominees Listed Above for Election to the Board of Directors.

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CONTINUING MEMBERS OF THE BOARD OF DIRECTORS

The following information describes the offices held, other business directorships and the class and term of each director whose term continues beyond the 2012 Annual Meeting and who is not subject to election this year.

Beneficial ownership of equity securities for these directors is described in Security Ownership of Management on page 30.

Class II Directors Whose Term Expires in 2013

Name	Age	Principal Occupation And Other Information
Claude R. Canizares	66	Director since May 2003. Member of the Audit Committee. Since 1971, Professor Canizares has been at MIT. He currently serves as the Vice President for Research and Associate Provost, and is the Bruno Rossi Professor of Physics. In addition, he is a principal investigator on NASA s Chandra X-ray observatory and Associate Director of its science center. He also serves on the Department of Commerce s National Advisory Council on Innovation and Entrepreneurship and on the Board of the National Renewable Energy Laboratory Alliance for Sustainable Energy. He has served on the Air Force Scientific Advisory Board, the NASA Advisory Council, and the Council of the National Academy of Sciences, among others. Professor Canizares is a member of the National Academy of Sciences, the International Academy of Astronautics, and a fellow of the American Academy of Arts and Sciences, the American Physical Society and the American Association for the Advancement of Science.
Thomas A. Corcoran	67	Director since July 1997. Chair of the Audit Committee and member of the Executive Committee. Mr. Corcoran is also President of Corcoran Enterprises, LLC, a private management consulting firm, and in this capacity he works closely with The Carlyle Group, a Washington D.C.-based private equity firm. Mr. Corcoran has been a senior advisor to The Carlyle Group since 2004. From March 2001 to April 2004, Mr. Corcoran was the President and Chief Executive Officer of Gemini Air Cargo, a Carlyle Group company. Mr. Corcoran was the President and Chief Executive Officer of Allegheny Teledyne Incorporated from October 1999 to December 2000. From April 1993 to September 1999, he was the President and Chief Operating Officer of the Electronic Systems Sector and Space & Strategic Missiles Sector of Lockheed Martin Corporation. Prior to that he worked for General Electric for 26 years and from 1983 to 1993 he held various management positions with GE Aerospace and was a company officer from 1990 to 1993. Mr. Corcoran is also a director of GenCorp Inc. and ARINC, a Carlyle company. He formerly served as a director of La Barge, Inc., REMEC, Inc., Serco Ltd, United Industrial Corporation and Force Protection, Inc.
Alan H. Washkowitz	71	Director since April 1997. Chair of the Nominating/Corporate Governance Committee and member of the Compensation Committee. Mr. Washkowitz is a private investor. Before his retirement in July 2005, Mr. Washkowitz was a Managing Director of Lehman Brothers, and was responsible for the oversight of Lehman Brothers Inc. Merchant Banking Portfolio Partnership L.P. Mr. Washkowitz joined Lehman Brothers Inc. in 1978 when Kuhn Loeb & Co. was acquired by Lehman Brothers. Mr. Washkowitz is a director of Peabody Energy Corporation.

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Class I Directors Whose Term Expires in 2014

Name	Age	Principal Occupation And Other Information
H. Hugh Shelton	70	Director since April 2011. Member of the Nominating/Corporate Governance Committee. General (Ret.) Shelton, U.S. Army was the senior officer of the United States military and principal military advisor to the President of the United States, the Secretary of Defense and the National Security Council when he served as the fourteenth Chairman of the Joint Chiefs of Staff from 1997 until his retirement in 2001. He had previously served as Commander-in-Chief of U.S. Special Operations Command (SOCOM). He has served as the Executive Director of the General H. Hugh Shelton Leadership Center at North Carolina State University since January 2002. From January 2002 until April 2006, General (Ret.) Shelton served as the President, International Sales of M.I.C. Industries, an international manufacturing company. Knighted by Queen Elizabeth II in 2001 and awarded the Congressional Gold Medal in 2002, General (Ret.) Shelton is Chairman of the Board of Directors of Red Hat, Inc. He has also served as a director of Anheuser-Busch Companies, Inc., CACI International Inc. and Protective Products of America, Inc.
Michael T. Strianese	56	Director since October 2006. Member of the Executive Committee. Chairman, President and Chief Executive Officer. Mr. Strianese became Chairman on October 7, 2008 and has served as President and Chief Executive Officer since October 2006. Until February 2007, Mr. Strianese was also our Corporate Ethics Officer. He was our interim Chief Executive Officer and Chief Financial Officer from June 2006. Mr. Strianese became Chief Financial Officer in March 2005. From March 2001 to March 2005 he was our Senior Vice President - Finance. He joined us in April 1997 as Vice President - Finance and Controller and was our Controller until July 2000. From April 1996, when Loral was acquired by Lockheed Martin, to April 1997, Mr. Strianese was Vice President and Controller of Lockheed Martin s C3I and Systems Integration Sector. In addition, he served as acting Chief Financial Officer of Lockheed Martin s Electronics Systems Sector.
John P. White	75	Director since October 2004. Member of the Nominating/Corporate Governance and Compensation Committees. Dr. White retired in September 2011, after having served for fifteen years in various capacities at Harvard University, including, most recently, as the Robert and Renée Belfer Lecturer at the John F. Kennedy School of Government. Dr. White was also the leader of then President-elect Obama s transition team for the Department of Defense. Dr. White has had a long history of government service, including serving as U.S. Deputy Secretary of Defense; Deputy Director of the Office of Management and Budget; Assistant Secretary of Defense, Manpower, Reserve Affairs and Logistics; Chairman of the Commission on Roles and Missions of the Armed Forces; and a member of the Missile Defense Advisory Committee of the U.S. Department of Defense.

For a discussion of the specific experience, qualifications, attributes and skills that led the Board of Directors to conclude that each of the Company s continuing directors and its nominees for director, Lewis Kramer, Robert B. Millard and Arthur L. Simon, should serve on the Board of Directors, see The Board of Directors and Certain Governance Matters Board of Directors Composition beginning on page 18.

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PROPOSAL 2. APPROVAL OF THE L-3 COMMUNICATIONS HOLDINGS, INC.

2012 CASH INCENTIVE PLAN

Our Board of Directors has adopted, subject to shareholder approval, the L-3 Communications Holdings, Inc. 2012 Cash Incentive Plan, or the Cash Incentive Plan . We are asking the shareholders to approve the Cash Incentive Plan in order to satisfy the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) with respect to performance awards to be granted and that have been granted, subject to shareholder approval, under the Cash Incentive Plan. The following is a description of the purpose and the material provisions of the Cash Incentive Plan. The following description of the Cash Incentive Plan is not complete and is qualified by reference to the full text of the Cash Incentive Plan, which is attached as an exhibit to the proxy statement.

Purpose

The Cash Incentive Plan is an incentive compensation plan that is designed to attract, retain, motivate and reward participants by providing them with the opportunity to earn competitive compensation directly linked to our performance.

Administration

The Cash Incentive Plan will be administered by the compensation committee of our Board of Directors or such other committee of our Board of Directors to which it has delegated such power (the Committee).

Eligibility; Awards

Awards may be granted to our officers and key employees in the sole discretion of the Committee. As of March 1, 2012, 15 persons have received contingent incentive awards under the Cash Incentive Plan, subject to shareholder approval, as described below under New Plan Benefits. The Cash Incentive Plan provides for the payment of cash-based incentive awards. For performance-based incentive awards intended to comply with the performance-based compensation exemption under Section 162(m) of the Code, by no later than the end of the first quarter of a given performance period (or the 90th day of the performance period, if sooner), the Committee will establish incentive awards for each individual participant in the Cash Incentive Plan. However, the Committee may, in its sole discretion, grant such awards, if any, to such participants as the Committee may choose, in respect of any given performance period, that are not intended to comply with the performance-based exemption under Section 162(m) of the Code. No participant may receive incentive compensation under the Cash Incentive Plan, with respect to any fiscal year, in excess of $10,000,000 (with proportionate adjustments for performance periods that are shorter or longer than one year).

Performance Goals

The Committee will establish the performance periods over which performance objectives will be measured. A performance period may be for a fiscal year or a shorter or longer period, as determined by the Committee. In the case of incentive awards intended to comply with the performance-based exemption under Section 162(m) of the Code, no later than the last day of the first quarter of a given performance period begins (or the 90th day of the performance period, if sooner), the Committee will establish (1) the performance objective or objectives that must be satisfied for a participant to receive incentive compensation for such performance period, and (2) the incentive award opportunity for each participant. Performance objective(s) will be based upon one or more of the following criteria, as determined by the Committee: (i) consolidated income before or after taxes, including income before interest, taxes, depreciation and amortization (EBITDA); (ii) operating income or operating margin; (iii) net income; (iv) net income or earnings per share; (v) book value per share; (vi) return on equity; (vii) expense management (including without limitation, total general and administrative expense percentages); (viii) return on investment or on invested capital; (ix) improvements in capital structure; (x) profitability of an identifiable business unit or product; (xi) maintenance or improvement of profit margins; (xii) stock price; (xiii) market share; (xiv) revenue or sales (including, without limitation, net loans charged off and average finance receivables); (xv) costs; (xvi) cash flow or net funds provided; (xvii) working capital; (xviii) total debt (including, without limitation, total debt as a multiple of EBIT or EBITDA), (xix) orders and (xx) total shareholder return. The foregoing criteria may relate to us, one or more of our subsidiaries or one or more of our divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more of our peer group companies or indices, or any combination thereof, all as the Committee will determine in its sole discretion. The performance measures and objectives established by the Committee may be different for different fiscal years and different objectives may be applicable to different officers and key employees.

As soon as practicable after the applicable performance period ends, the Committee will (A) determine (i) whether and to what extent any of the performance objective(s) established for such performance period have been satisfied and certify to such determination, and (ii) the actual incentive compensation to which such participant will be entitled, taking into consideration the extent to which the performance objective(s) have been met and such other factors as the Committee may deem appropriate and (B) cause such incentive compensation to be paid to such participant. The Committee has absolute discretion to reduce or eliminate the amount otherwise payable to any participant under the Cash Incentive Plan and to establish rules or procedures that have the effect of limiting the amount payable to each participant to an amount that is less than the maximum amount otherwise authorized as that participant s incentive compensation opportunity. In addition, to the extent the Committee determines that all or a portion of an award is not intended to comply with the performance-based exemption under Section 162(m) of the Code, the Committee may award a participant more than the maximum amount authorized as that participant s incentive compensation opportunity.

To the extent permitted under Section 162(m) of the Code, if a participant is hired or rehired by us after the beginning of a performance period (or such corresponding period if the performance period is not a fiscal year) for which incentive compensation is payable, such participant may, if determined by the Committee, receive incentive compensation equal to the amount otherwise payable to such participant based upon our actual performance for the applicable performance period prorated for the days of employment during such period or such other amount as the Committee may deem appropriate.

Forfeiture and Clawback

The Committee may in its sole discretion specify that the participant s rights, payments, and benefits with respect to any incentive compensation will be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions contained in such award. Such events may include, but are not limited to, termination of employment for cause, termination of the participant s provision of services to us, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the participant, or restatement of our financial statements to reflect adverse results from those previously released financial statements as a consequence of errors, omissions, fraud, or misconduct.

Change in Control

Unless otherwise specified by the Committee at the time when performance objectives are established with respect to a performance period, in the event of a change in control prior to the last day of any performance period, each participant eligible to receive incentive compensation thereunder shall receive an amount of incentive compensation based upon achievement at the target level of the applicable performance objectives (or, if otherwise determined in the sole discretion of the Committee as constituted immediately prior to the change in control, an amount of incentive compensation based upon such higher level of Company performance actually achieved when considered in light of the reduced performance period), prorated to reflect the portion of the performance period elapsed through the change in control date.

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Termination of Employment

Unless otherwise specified by the Committee, if prior to the last day of any performance period for which a participant is eligible to receive incentive compensation, the participant s employment is terminated due to death, disability, retirement at least one year after the commencement of the performance period, or due to an involuntary termination without cause, then the participant will receive an amount of incentive compensation equal to the incentive compensation otherwise payable to such participant based upon actual Company performance for the applicable performance period, prorated to reflect the portion of the performance period elapsed through the termination date. In the case of any other termination of employment by a participant prior to the end of a performance period, the participant shall not be entitled to payment of incentive compensation for such performance period (unless otherwise determined by the Committee).

Payment of Awards

Payment of any incentive compensation amount is made to participants as soon as is practicable after the Committee certifies that one or more of the applicable performance objectives has been attained or after the Committee determines the amount of such incentive compensation. All payments thus made will be in accordance with or exempt from the requirements of Section 409A of the Code.

Amendment and Termination of Plan

Our Board of Directors or the Committee may at any time amend, suspend, discontinue or terminate the Cash Incentive Plan, subject to shareholder approval if such approval is necessary to continue to qualify the amounts payable under the Cash Incentive Plan under Section 162(m) of the Code if such amounts are intended to be so qualified; provided, that no such amendment, suspension, discontinuance or termination will adversely affect the rights of any participant in respect of any performance period that has already begun. It is anticipated that shareholders will vote to re-approve the Cash Incentive Plan (after its initial approval) no later than the day of the first meeting of shareholders that occurs in 2017.

New Plan Benefits

In February 2012, our Compensation Committee granted, subject to shareholder approval of the Cash Incentive Plan, contingent annual incentive awards (the 2012 Annual Incentive Awards) and contingent long-term incentive awards (the 2012 TSR Performance Awards) under the Cash Incentive Plan. The 2012 Annual Incentive Awards have performance criteria and other features substantially similar to those of the formulaic plan described in Compensation Discussion and Analysis Annual Incentives beginning on page 39. The 2012 TSR Performance Awards have performance criteria and other features substantially similar to those of the total shareholder return (TSR) performance units that are described in Compensation Discussion and Analysis Long-Term Incentives Performance Units beginning on page 49, except that performance with respect to the 2012 TSR Performance Awards is evaluated against a group of 15 companies with a sales mix that is more heavily weighted towards sales to the U.S. Department of Defense (DoD) and the defense industry, and which include the primary U.S. public company competitors for each of L-3 s four reporting segments (the TSR Peer Group). The 2012 TSR Performance Awards were granted by our Compensation Committee this year in lieu of awarding TSR-based performance units.

Consistent with 2011, the financial performance targets for the 2012 Annual Incentive Awards are based on management s internal financial plan, which was presented to L-3 s Board of Directors and forms the basis of L-3 s most recent published financial guidance for 2012 performance. L-3 generates approximately 75% of its annual sales from the DoD. Our 2012 financial plan and guidance reflects, among other factors, the fact that the total DoD budget that has been enacted for Fiscal Year 2012 (that is, the DoD s budget for the U.S. Government fiscal year ending September 30, 2012) will decline by 6% compared to the prior year, including the wartime appropriations for Overseas Contingency Operations.

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In light of this more challenging economic environment, the financial performance targets for the 2012 Annual Incentive Awards are generally lower than the corresponding targets for the 2011 annual incentive awards. However, the 2012 TSR Performance Awards maintain the same requirements for TSR performance relative to peers as those included in the 2011 TSR-based performance units.

The following table provides information concerning the amounts that could be received under the 2012 Annual Incentive Awards and the 2012 TSR Performance Awards assuming, as required by SEC rules, that the performance of L-3 and its executives for the performance periods of these awards (the year ending December 31, 2012 and the three-year period ending December 31, 2014, respectively) were identical to L-3 s actual performance for the one- and three-year periods ended December 31, 2011. The amounts reflected in the Dollar Value column below for the 2012 Annual Incentive Awards do not take into account the changed economic circumstances for 2012 set forth above. Accordingly, we do not believe that the amounts set forth below in the Dollar Value column for these awards represent meaningful indicators as to the likely amounts to be earned in respect of these awards.

L-3 COMMUNICATIONS HOLDINGS, INC. 2012 CASH INCENTIVE PLAN

Name and Position		Dollar Value ($)	Number of Units
Michael T. Strianese	2012 Annual Incentive Award	2,840,000[1]	N/A
(Chairman, President and Chief Executive Officer and Director)	2012 TSR Performance Award	0[2]	
Ralph G. D Ambrosio	2012 Annual Incentive Award	775,000[1]	N/A
(Senior Vice President and Chief Financial Officer)	2012 TSR Performance Award	0[2]	
Curtis Brunson	2012 Annual Incentive Award	775,000[1]	N/A
(Executive Vice President of Corporate Strategy and Development)	2012 TSR Performance Award	0[2]	
James W. Dunn	2012 Annual Incentive Award	980,000[1]	N/A
(Senior Vice President and President of Electronic Systems Group)	2012 TSR Performance Award	0[2]	
Steve Kantor	2012 Annual Incentive Award	1,030,000[1]	N/A
(Senior Vice President and President of L-3 Services Group)	2012 TSR Performance Award	0[2]	
Executive Group	2012 Annual Incentive Award	9,670,000[1]	N/A
	2012 TSR Performance Award	0[2]	
Non-Executive Director Group	N/A		N/A
Non-Executive Officer	2012 Annual Incentive Award	1,285,000[1]	N/A
Employee Group	2012 TSR Performance Award	0 [2]	

(1) Represents the amount that could be received by the individual or group pursuant to the 2012 Annual Incentive Awards, subject to shareholder approval of the Cash Incentive Plan, assuming the same performance, including individual performance, as the actual performance achievement for fiscal year 2011. The target values for the 2012 Annual Incentive Awards are as follows: Mr. Strianese $2,000,000; Mr. D Ambrosio $546,300; Mr. Brunson $546,300; Mr. Dunn $742,500; Mr. Kantor $633,000; the Executive Officers as a group (the Executive Group) $6,991,700; and all employees who are not executive officers as a group (the Non-Executive Officer Employee Group) $1,100,600. The actual payouts under the 2012 Annual Incentive Awards will be determined based on a

formulaic approach substantially similar to the approach used for the 2011 annual incentives and will range from 0% to 200% of the target for corporate executives and 0% to 225% for group presidents. For a discussion of how our annual incentive program operates, see Compensation Discussion and Analysis Annual Incentives.

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(2) Represents the amount that could be received by the individual or group pursuant to the 2012 TSR Performance Awards, subject to shareholder approval of the Cash Incentive Plan, assuming the same TSR, for L-3 and the TSR Peer Group, as the actual TSR achieved by each of them for the three-year period ended December 31, 2011, excluding, for purposes of calculating TSR for the TSR Peer Group, two of the TSR Peer Group companies that did not exist throughout the three-year performance period. The target values for the 2012 TSR Performance Awards are as follows: Mr. Strianese $1,850,000; Mr. D Ambrosio $400,000; Mr. Brunson $400,000; Mr. Dunn $300,000; Mr. Kantor $260,000; the Executive Group $4,150,000; and the Non-Executive Officer Employee Group $337,500. The actual payouts for these awards will range from 0% to 200% of the target.

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PROPOSAL 3. SELECTION OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP to act as our independent registered public accounting firm for the fiscal year ending December 31, 2012, and a proposal to ratify this selection will be submitted to the shareholders at the Annual Meeting. PricewaterhouseCoopers LLP has acted as our independent registered public accounting firm since our formation in 1997, and the Audit Committee and the Board of Directors believe it is desirable and in our best interests to continue to retain that firm. Representatives of PricewaterhouseCoopers LLP will be present at the Annual Meeting. Such representatives will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Although ratification is not required by our Amended and Restated Bylaws (the Amended and Restated Bylaws) or otherwise, the Board of Directors is submitting the selection of PricewaterhouseCoopers LLP to our shareholders for ratification because we value our shareholders views on the Company s independent registered public accounting firm. If the foregoing proposal is not approved by the holders of a majority of the shares represented at the Annual Meeting, it will be considered as notice to the Board of Directors and the Audit Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our shareholders.

The Board of Directors Recommends a Vote FOR Ratification of the Appointment of PricewaterhouseCoopers LLP as our Independent Registered Public Accounting Firm.

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PROPOSAL 4. ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

We are asking our shareholders to approve, in a non-binding, advisory vote, the compensation paid to our named executive officers as disclosed beginning on page 56 of this proxy statement. In connection with this vote, shareholders may also wish to consider the discussion regarding the Compensation Committee beginning on page 20. While the results of this vote are advisory, our Compensation Committee intends to carefully consider the results of this vote when making future compensation decisions. The following is a summary of key points that shareholders may wish to consider in connection with their voting decision.

We made substantial changes to our compensation programs that emphasize our pay-for-performance philosophy and reflect our commitment to compensation best practices. Following last year s advisory vote on executive compensation, our Compensation Committee made comprehensive changes to our compensation programs and practices in response to shareholder concerns, including:

Formula-Based Bonus Plan. Adopted a formula-based approach for determining annual incentive awards that uses pre-established goals to assess financial and individual performance achievements. Adopted the Cash Incentive Plan, which, subject to shareholder approval, will allow annual incentives earned for 2012 and later years to qualify as tax deductible compensation under Section 162(m) of the Code.

Increased Performance-Based Equity Awards. Changed the mix of our long-term incentive awards to increase the use of performance awards and decrease time-vested stock options.

Applied Performance Criteria to CEO s Options. Modified the stock options previously granted to our Chief Executive Officer in February 2011 to add performance vesting conditions, and added performance vesting conditions to the stock options awarded to our Chief Executive Officer in February 2012.

Increased Stock Ownership Guidelines. Strengthened stock ownership requirements by:

Increasing the Chief Executive Officer s guideline from five to six times base salary;

Increasing the number of shares that must be held until satisfaction of the minimum ownership guidelines from 50% to 75% of the shares acquired from equity awards.

Eliminating the value of unexercised stock options in calculating the value of shares owned.

Clawback and Anti-hedging Policies. Adopted new clawback and anti-hedging policies.

New, Independent Compensation Consultant. Engaged a new, independent compensation consultant that does not provide any services to management directly, or indirectly through its affiliates.

Our compensation program places a strong emphasis on performance-based variable pay that aligns our executives interests with those of shareholders. In 2011, 68% of our Chief Executive Officer s targeted pay was in the form of performance-based annual and long-term incentives, including:

30% of targeted compensation in the form of stock options that have value only based on future increases in our stock price, and that will be forfeited if vesting conditions based on 2012 financial performance are not satisfied.

22% of targeted compensation in the form of performance units that will be forfeited unless our company s performance during fiscal 2011-2013 meets pre-established goals for growing earnings per share (EPS) and for achieving favorable total shareholder returns (TSR) when compared to other companies within the S&P 1500 Aerospace & Defense Index.

Our performance targets are meaningful and rigorous, and are designed to encourage our executives to perform at the highest levels. For example, our minimum EPS performance target for the 2011-2013 period is based on the high-end of our January 2011 published financial guidance of 2% annual growth. If we fail to achieve compound annual EPS growth of at least 2% for the 2011-2013 period, our executives will forfeit all of their EPS performance units. In order for executives to receive the target

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value for these awards, we must grow EPS at a compound annual rate of at least 5%, or approximately three percentage points higher than the high-end growth rate reflected in our guidance.

Our compensation program reflects sound pay practices. In addition to the practices described above, our compensation program reflects the following:

- We do not have any employment contracts with any of our named executive officers.
- We do not provide our named executive officers with any guarantees as to salary increases, non-performance based bonuses or equity compensation.
- Our perquisites are modest and do not include any tax reimbursements or gross-ups.
- Our equity plans prohibit repricings of stock options or other equity-based awards without shareholder approval.
- We do not pay dividends on stock options or unvested performance awards.
- Our retirement plans only provide age or service credit for years worked with L-3 and its predecessor companies.

We believe that the information disclosed in this proxy statement demonstrates that our executive compensation program is well-designed and is working as intended. In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act)) and the related rules of the SEC, we are submitting for shareholder consideration the following resolution to approve, in a non-binding, advisory vote, the compensation paid to our named executive officers as disclosed beginning on page 56 of this proxy statement:

RESOLVED, that the compensation paid to the company s named executive officers, as disclosed in this proxy statement pursuant to the rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and any related narrative discussion is hereby APPROVED.

The Board of Directors Recommends a Vote FOR Approval of the Compensation Paid to Our Named Executive Officers.

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THE BOARD OF DIRECTORS AND CERTAIN GOVERNANCE MATTERS

Our Board of Directors directs the management of our business and affairs, as provided by Delaware law, and conducts its business through meetings of the Board of Directors and four standing committees: the Executive, Audit, Nominating/Corporate Governance and Compensation Committees. In addition, from time to time, special committees may be established under the direction of the Board of Directors when necessary to address specific issues.

Leadership Structure

The Board of Directors determined that combining the Chief Executive Officer and Chairman positions is the appropriate leadership structure for L-3 at this time. The Board of Directors believes that one-size does not fit all, and the decision of whether to combine or separate the positions of Chief Executive Officer and Chairman will vary company to company and depend upon a company s particular circumstances at a given point in time. Accordingly, the Board of Directors carefully considers from time to time whether the Chief Executive Officer and Chairman positions should be combined based on what the Board of Directors believes is best for the Company and its shareholders.

Board structures vary greatly among U.S. public corporations, with 59% of S&P 500 companies combining the positions of Chief Executive Officer and Chairman and only 21% of the S&P 500 having an independent chairman, according to a recent survey. The Board of Directors does not believe that the evidence demonstrates that any one leadership structure is more effective at creating long-term shareholder value. The Board of Directors believes that an effective leadership structure could be achieved either by combining or separating the Chief Executive Officer and Chairman positions, if the structure encourages the free and open dialogue of competing views and provides for strong checks and balances. Specifically, an effective governance structure must balance the powers of the Chief Executive Officer and the independent directors and ensure that the independent directors are fully informed, able to discuss and debate the issues that they deem important, and able to provide effective oversight of management.

The Board of Directors believes that if the positions of Chief Executive Officer and Chairman are combined, then appointing a lead independent director is necessary for effective governance. Accordingly, the Company s Corporate Governance Guidelines provide that, in the event the Chief Executive Officer and Chairman positions are combined, the independent members of the Board of Directors will elect a Lead Independent Director. In addition to presiding at executive sessions of the independent directors, the responsibilities of the Lead Independent Director, which are clearly set forth in the Company s Corporate Governance Guidelines, also include:

- approving schedules for Board of Directors meetings;
- approving the agendas for meetings of the Board of Directors;
- specifically requesting the inclusion of certain materials for Board of Directors meetings, when appropriate;
- recommending, as appropriate, that the Board of Directors retain consultants who will report directly to the Board of Directors; and
- acting as a liaison between the independent directors and the Chairman.

The Board of Directors believes that the responsibilities delegated to the Lead Independent Director are substantially similar to many of the functions typically fulfilled by a board chairman. The Board of Directors believes that its Lead Independent Director position balances the need for effective and independent oversight of management with the need for strong, unified leadership. The Board of Directors believes that one of the key elements of effective, independent oversight is that the independent directors meet in executive session on a regular basis without the presence of management. Accordingly, in 2011, the independent directors met in executive session four times with the Lead Independent Director presiding at such meetings.

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L-3 s approach regarding its leadership structure has varied depending on what was best for L-3 at a particular point in time. Frank C. Lanza, one of L-3 s founders, served as Chairman and CEO from the time of L-3 s formation in 1997 until his death in 2006. Following his death, the Board of Directors promoted Michael T. Strianese, then L-3 s Chief Financial Officer, to the CEO position but also chose to appoint Robert B. Millard, one of its independent directors, as Chairman. In 2008, the Board of Directors decided to again combine the Chairman and CEO positions, and the independent directors appointed Mr. Millard as the Lead Independent Director. The Board of Directors believes that its current structure is in the best interest of L-3 at this time as it allows for a balance of power between the CEO and the independent directors and provides an environment in which its independent directors are fully informed, have significant input into the content of Board meeting agendas and are able to provide objective and thoughtful oversight of management. The Board also believes that L-3 s current leadership structure does not affect the Board s role in risk oversight of the Company. In addition, The Board of Directors also believes that combining the roles of Chairman and CEO gives L-3 the best chance to continue its strong performance over the long term. With slower growth in the U.S. Department of Defense budget, it has become more important than ever for L-3 to seek out business opportunities in the international community. In L-3 s industry, the Board of Directors believes that access to decision-makers in foreign countries is made easier when the roles of Chairman and CEO are combined as their customs often dictate having comparable titles when conducting negotiations. Moreover, since most of L-3 s industry peers have combined the roles of chairman and CEO, L-3 believes that separating such roles would put us at a significant competitive disadvantage.

Independence

The Board of Directors has affirmatively determined that all of the directors, other than Mr. Strianese, including those who serve on the Audit, Nominating/Corporate Governance and Compensation Committees of the Board of Directors, have no material relationship with us, either directly or as a partner, shareholder or officer of an organization that has a relationship with us. Therefore, all of our directors, other than Mr. Strianese, are independent under all applicable standards. In connection with its determination that Mr. Millard and Professor Canizares are independent directors, the Board of Directors considered the fact that we conducted business with MIT where Mr. Millard is a trustee and Professor Canizares is employed as a full time professor. In addition, the Board of Directors considered the fact that we conducted business with NASA where Professor Canizares is a principal investigator of NASA s Chandra X-ray observatory and is Associate Director of its science center. During 2011, we retained MIT to provide research and development on our behalf, and MIT and NASA purchased equipment from us. Payments made to, or received from, MIT or NASA were less than 1% of MIT s, NASA s or L-3 s annual consolidated gross revenues during each of their last completed fiscal years. Mr. Millard and Professor Canizares did not have any interest in these transactions and Professor Canizares recused himself from all decisions regarding L-3 with respect to these transactions.

Mr. Corcoran and Dr. White serve as directors, trustees or in similar capacities (but not as executive officers or employees) for one or more non-profit organizations to which we have made charitable contributions. Contributions to these organizations were less than the greater of $1,000,000 or 1% of each of those organizations annual consolidated gross revenues during their last completed fiscal years and were below the thresholds set forth under our categorical standards of director independence.

In addition, the Board of Directors has determined that Professor Canizares and Messrs. Corcoran, Kramer and Simon, members of the Audit Committee, are independent for purposes of Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act).

The Board of Directors has adopted Corporate Governance Guidelines that meet the independence standards of the NYSE. Also, as part of our Corporate Governance Guidelines, the Board of Directors has adopted categorical standards to assist it in evaluating the independence of each of its directors. The categorical standards are intended to assist the Board of Directors in determining whether or not certain relationships between our directors and us, either directly or as a partner, shareholder or officer of an organization that has a relationship with us, are material relationships for purposes of the NYSE independence standards. The categorical standards establish thresholds at which such relationships are deemed not to be material. Our Corporate Governance Guidelines, which include our categorical standards of independence, can be obtained through our website at http://www.L-3com.com.

Directors are expected to attend board meetings and meetings of the committees on which they serve, to spend the time needed, and to meet as frequently as necessary, in order to properly discharge their responsibilities. In addition, to the extent reasonably practicable, directors are expected to attend shareholder meetings. During the fiscal year ended December 31, 2011, the Board of Directors held ten meetings. Each director attended at least 75% of the combined number of meetings of the Board of Directors and meetings of committees on which he served during the period in 2011 in which he served as a director or member of such committee, as applicable. All of our current directors attended our annual shareholders meeting in April 2011 in person, except Dr. White, who attended by phone. In accordance with applicable NYSE listing requirements, our independent directors hold regular executive sessions at which management, including the Chairman, President and Chief Executive Officer, is not present. Mr. Millard, our Lead Independent Director of the Board of Directors, presides at the regularly held executive sessions of the independent directors.

Board of Directors Composition

The Board of Directors seeks to ensure that the Board is composed of members whose particular experience, qualifications, attributes and skills, when taken together, will allow the Board of Directors to satisfy its oversight responsibilities effectively. In that regard, the Nominating/Corporate Governance Committee is responsible for recommending candidates for all directorships to be filled by the Board of Directors or by the shareholders at an annual or special meeting. In identifying candidates for membership on the Board of Directors, the Nominating/Corporate Governance Committee takes into account (1) minimum individual qualifications, such as strength of character, mature judgment, industry knowledge or experience and an ability to work collegially with the other members of the Board of Directors and (2) all other factors it considers appropriate. In addition, although the Board of Directors does not have a policy with regard to the consideration of diversity in identifying director nominees, among the many factors that the Nominating/Corporate Governance Committee carefully considers, are the benefits to the Company of diversity, including gender and racial diversity, in board composition.

As part of its recurring activities, the Nominating/Corporate Governance Committee seeks to identify qualified candidates to sit on the Board of Directors. After conducting an initial evaluation of a candidate, the Nominating/Corporate Governance Committee will interview that candidate if it believes the candidate might be suitable to be a director and may also ask the candidate to meet with other directors and management. If the Nominating/Corporate Governance Committee believes a candidate would be a valuable addition to the Board of Directors, it will recommend to the full Board of Directors that candidate s election.

When considering whether the Board s directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of L-3 s business and structure, the Board of Directors focused primarily on the information discussed in each of the Board members or nominees biographical information set forth on pages 5-7. In particular,

- with regards to Professor Canizares, the Board of Directors considered his distinguished career as a tenured professor at MIT including his current responsibility for over 20 research laboratories with an aggregate annual research budget of $1.5 billion, as well as his extensive knowledge of the aerospace industry;

- with regards to Mr. Corcoran, the Board of Directors considered his business operations background, including his service as the chief executive officer of a number of businesses, and his expertise in the aerospace and defense industries;

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with regards to Mr. Kramer, the Board of Directors considered his significant experience, expertise and background with regard to accounting and internal control matters as well as the breadth of his business knowledge gained while serving as an independent auditor for numerous organizations across many industries;

with respect to Mr. Millard, the Board of Directors considered his extensive financial background;

with regards to General (Ret.) Shelton, the Board of Directors considered his distinguished career as the Chairman of the Joint Chiefs of Staff, Department of Defense and as the Commander in Chief of U.S. Special Operations Command (SOCOM) and his extensive knowledge of the defense industry;

with regards to Mr. Simon, the Board of Directors considered his significant experience, expertise and background with regard to accounting and internal control matters and the breadth of his business knowledge gained while serving as an independent auditor for numerous organizations across many industries and as the Chair of the Audit Committee of Loral Space & Communications Inc.;

with regards to Mr. Strianese, the Board of Directors considered his position as Chief Executive Officer and his expertise and experience in the aerospace and defense industries;

with regards to Mr. Washkowitz, the Board of Directors considered his extensive financial background; and

with regards to Dr. White, the Board of Directors considered his distinguished career of government service, his distinguished career as a lecturer of government at Harvard and his extensive knowledge of the defense industry.

In addition, in connection with the nominations of Messrs. Kramer, Millard and Simon for election as directors at the 2012 Annual Meeting, the Board of Directors considered their valuable contributions to L-3 s success during their years of Board service.

Audit Committee

The current members of the Audit Committee are: Claude R. Canizares, Thomas A. Corcoran (Chair), Lewis Kramer and Arthur L. Simon. The Audit Committee met 13 times in 2011. The Audit Committee is generally responsible for, among other things:

selecting, appointing, compensating, retaining and terminating our independent registered public accounting firm;

overseeing the auditing work of any independent registered public accounting firm employed by us, including the resolution of any disagreements, if any, between management and the independent registered public accounting firm regarding financial reporting, for the purpose of preparing or issuing an audit report or performing other audit, review or attest services;

pre-approving audit, other audit, audit-related and permitted non-audit services to be performed by the independent registered public accounting firm and related fees;

meeting with our independent registered public accounting firm to review the proposed scope of the annual audit of our financial statements and to discuss such other matters that it deems appropriate;

reviewing the findings of the independent registered public accounting firm with respect to the annual audit;

meeting to review and discuss with management and the independent registered public accounting firm our periodic financial reports prior to our filing them with the SEC and reporting annually to the Board of Directors with respect to such matters;

- reviewing with our financial and accounting management, the independent registered public accounting firm and internal auditor the adequacy and effectiveness of our internal control over financial reporting, financial reporting process and disclosure controls and procedures; and

- reviewing the internal audit function.

L-3 s Audit Committee Charter states that the Audit Committee shall consist of at least three members, all of whom are determined by the Board of Directors to meet the independence, financial literacy and expertise requirements of the SEC and NYSE. These requirements dictate that all Audit Committee members must be financially literate and at least one member of the Audit Committee shall be an audit committee financial expert in compliance with the criteria established by the SEC and NYSE. The Board of Directors has determined that all of the members of the Audit Committee are financially literate and meet the independence requirements mandated by the NYSE listing standards, Rule 10A-3 under the Exchange Act and our independence standards. In addition, the Board of Directors has determined that Mr. Simon and Mr. Kramer are both audit committee financial experts, as defined by Item 407(d)(5) of Regulation S-K.

Compensation Committee

The current members of the Compensation Committee are: Robert B. Millard (Chair), Lewis Kramer, Alan H. Washkowitz and John P. White. The Compensation Committee, which had five meetings in 2011, is responsible for, among other functions:

- reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer s compensation;

- evaluating the performance of the Chief Executive Officer in light of these corporate goals and objectives and, either as a committee or together with other independent directors (as directed by the Board of Directors), determining and approving the annual salary, bonus, equity and equity-based incentives and other benefits, direct and indirect, of the Chief Executive Officer based on such evaluation;

- reviewing and approving the annual salary, bonus, equity and equity-based incentives and other benefits, direct and indirect, of the other executive officers;

- discussing the results of the shareholder advisory vote on the compensation paid to our named executive officers;

- reviewing and making recommendations to the Board of Directors with respect to director compensation;

- reviewing and making recommendations to the Board of Directors with respect to equity compensation plans that are subject to the approval of L-3 s shareholders, and overseeing the activities of the individuals responsible for administering those plans;

- reviewing and approving incentive-compensation plans and equity-based plans of L-3 that are not otherwise subject to the approval of L-3 s shareholders, and overseeing the activities of the individuals responsible for administering those plans;

- reviewing and discussing with management, on at least an annual basis, management s assessment of whether risks arising from the Company s compensation policies and practices for all employees, including non-executive officers, are reasonably likely to have a material adverse effect on the Company; and

- reviewing and discussing the Compensation Discussion and Analysis section contained in this proxy statement.

In fulfilling its responsibilities, the Compensation Committee can delegate any or all of its responsibilities to a subcommittee of the committee consisting of two or more members. For a discussion concerning the processes and procedures for considering and determining executive and director compensation and the role of executive officers and compensation consultants in determining or recommending the amount or form of executive and director compensation, see Compensation Discussion and Analysis beginning on page 31 and 2011 Director Compensation beginning on page 77.

The Board of Directors has determined that all of the members of the Compensation Committee meet our standards for independence and the independence requirements mandated by the NYSE listing standards. In addition, all members of the Compensation Committee qualify as non-employee directors for purposes of Rule 16b-3 under the Exchange Act and outside directors for purposes of Section 162(m) of the Code.

Use of Consultants

As set forth in its charter, the Compensation Committee has the sole authority to select, retain and/or replace, as needed, outside consultants to provide advice to the Compensation Committee in connection with its fulfillment of its responsibilities. Historically the Compensation Committee retained Mercer (US) Inc. (Mercer), a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. (MMC), to provide information, analyses and advice regarding executive and director compensation. However, in June 2011, the Compensation Committee advised Mercer of its decision to engage a new compensation consultant. During Mercer s engagement as the Compensation Committee s consultant in 2011, the Compensation Committee requested that Mercer advise the Compensation Committee directly regarding the Committee s determination of annual incentive awards paid in 2011 for 2010 performance, and of base salary adjustments made and equity awards granted in 2011.

In the course of conducting its activities, Mercer attended meetings of the Compensation Committee and presented its findings and recommendations to the Compensation Committee for discussion. During the course of its engagement, Mercer met with management to obtain and validate data, and review materials. In 2011, the Company paid Mercer approximately $148,000 for all services rendered to the Compensation Committee. Mercer also attended one meeting of the Board of Directors at which the Compensation Committee reviewed the executive compensation program with the Board of Directors.

L-3 and its affiliates also separately retain Mercer and other affiliates of MMC to provide services that are unrelated to the Compensation Committee services (the Unrelated Company Services). Through June 2011, the Company paid Mercer and its affiliates an aggregate of approximately $122,000 for these Unrelated Company Services. The Unrelated Company Services included: data recovery, collection and investigation services; brokerage services relating to insurance policies and surety bonds; actuarial consulting services for workers compensation and pension plan liabilities; and non-executive compensation consulting services. Separately in 2011, Seabury & Smith, Inc., an affiliate of MMC, acted as an insurance and services broker with respect to a number of insurance products, such as group universal life, home and auto insurance and legal services plans that were offered to L-3 s U.S.-based employees and could be purchased through employee-directed payroll deductions.

The decisions to engage Mercer and its affiliates for Unrelated Company Services in 2011 were made by employees of the Company or its affiliates and were subsequently ratified by the Compensation Committee. Mercer has advised the Compensation Committee that none of its principals or employees who provided advice to the Compensation Committee had any direct or indirect involvement in providing these Unrelated Company Services, or in the Company s selection of, or negotiation of arrangements with, Mercer or its affiliates to provide such services. In addition, none of Mercer s principals or employees who provided advice to the Compensation Committee received any direct or indirect compensation as a result of Unrelated Company Services, other than to the extent that employees of Mercer benefit from the overall success of MMC and its affiliates generally. The Compensation Committee does not believe that Mercer s ability to provide it with objective advice was impaired by the Unrelated Company Services provided to the Company and its affiliates.

In September 2011, the Compensation Committee engaged Frederic W. Cook (Cook & Co.) to serve as the Compensation Committee s new independent consultant. Cook & Co. and its affiliates do

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not provide any services to the Company or any of the Company s affiliates other than advising the Compensation Committee on director and executive officer compensation. The Compensation Committee requested that Cook & Co. advise it directly on a variety of compensation-related matters, including:

- performing an initial, comprehensive assessment of the philosophy, design and components of L-3 s executive pay programs, and the appropriateness of executive pay levels;
- recommending executive compensation program changes in response to shareholder concerns identified through investor engagement efforts;
- developing a new formulaic annual incentive plan and the proposed Cash Incentive Plan;
- validating the compensation peer group to be used for competitive benchmarking;
- preparing analyses and recommendations of senior executive compensation levels as compared to the compensation peer group and published compensation surveys;
- assessing the pay recommendations that the Chief Executive Officer developed for senior executives, including the named executive officers;
- developing pay recommendations for the Chief Executive Officer;
- assessing the alignment of senior executive pay and company performance;
- preparing analyses and recommendations of non-employee director pay levels as compared to the peer group;
- preparing annual analyses of annual equity plan share usage and share dilution as compared to the peer group;
- assessing performance measures and targets for annual and long-term incentive awards; and
- updating the Compensation Committee on executive compensation trends.

In the course of conducting its activities, Cook & Co. attended meetings of the Compensation Committee and presented its findings and recommendations to the Compensation Committee for discussion. During the course of its engagement, Cook & Co. also met with management to obtain and validate data, and review materials. Cook & Co. also attended one meeting of the Board of Directors at which the Compensation Committee reviewed the executive compensation program with the Board of Directors.

Management retains its own outside compensation consultant, Towers Watson & Co., to provide the Company with non-executive compensation consulting services and advise management from time to time with regard to senior executive compensation programs.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee currently consists of Messrs. Arthur L. Simon, Alan H. Washkowitz (Chair) and John P. White and General (Ret.) H. Hugh Shelton. This committee, which met three times during 2011, monitors corporate governance policies and procedures and serves as the nominating committee for the Board of Directors.

The primary functions performed by this committee include, among other responsibilities:

- developing, recommending and monitoring corporate governance policies and procedures for L-3 and the Board of Directors;
- recommending to the Board of Directors criteria for the selection of new directors;
- identifying and recommending to the Board of Directors individuals to be nominated as directors;

evaluating candidates recommended by shareholders in a timely manner;

conducting all necessary and appropriate inquiries into the backgrounds and qualifications of possible candidates;

overseeing the evaluation of the Board of Directors and management; and

overseeing and approving the management continuity planning process.

The Nominating/Corporate Governance Committee will consider candidates for nomination as a director recommended by shareholders, directors, officers, third party search firms and other sources. The Nominating/Corporate Governance Committee will review all candidates for director in the same manner, regardless of the source of the recommendation. Individuals recommended by shareholders for nomination as a director will be considered in accordance with the procedures described under Shareholder Proposals and Nominations on page 25 of this proxy statement.

The Board of Directors has determined that all of the members of the Nominating/Corporate Governance Committee meet the independence requirements mandated by the applicable NYSE listing standards applicable to serving on the Nominating/Corporate Governance Committee and our standards of independence.

Executive Committee

The Executive Committee currently consists of Messrs. Corcoran, Millard (Chair), and Strianese. The Executive Committee did not meet during 2011. The Executive Committee may exercise most board powers during periods between board meetings.

Oversight of Risk Management

L-3 is exposed to various risks including, but not limited to, strategic, operational, financial, liquidity, reputational, and also risks relating to reporting, pending and threatened litigation, regulatory and legal compliance. L-3 s enterprise risk profile is also affected by changes in the yearly budget and spending levels, priorities, and procurement practices of our major end customers, especially the U.S. Department of Defense. L-3 s management designed the Company s enterprise risk management process to identify, monitor and evaluate these risks, and develop an approach to address each identified risk. L-3 s enterprise risk management process is a company-wide initiative and involves each of our operating segments and business units. The Company takes a multi-disciplinary approach to risk.

L-3 s Chief Financial Officer, at the direction of the Chief Executive Officer, is responsible for overseeing the Company s enterprise risk management process and periodically reports enterprise risk information to each of the Chief Executive Officer, the Audit Committee and the Board of Directors. In fulfilling his risk management responsibilities, the Chief Financial Officer works closely with members of the senior management team, including the Company s General Counsel, the Executive Vice President of Corporate Strategy and Development, the Controller and Principal Accounting Officer, the Vice President Planning, the Vice President of Internal Audit and Corporate Ethics Officer, and each of the business unit group presidents and group chief financial officers.

On behalf of the Board of Directors, the Audit Committee plays a key role in the oversight of the Company s enterprise risk management function. In this regard, the Audit Committee discusses policies with respect to risk assessment and risk management, and the Company s Chief Financial Officer meets with the Audit Committee at least five times per year to specifically discuss the enterprise risks facing the Company, highlighting any new risks that may have arisen since they last met. Additionally, at each Board of Directors meeting, the Chief Executive Officer and Chief Financial Officer report information about major risks facing the company. Finally, the Chief Financial Officer reports directly to the Board of Directors at least once per year to apprise it directly of the Company s enterprise risk management process.

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Committee Charters and Corporate Governance Guidelines

The Board of Directors has adopted a charter for each of the Audit, Nominating/Corporate Governance and Compensation Committees and corporate governance guidelines that address the make-up and functioning of the Board of Directors. You can find links to these materials on our website at http://www.L-3com.com under the Investor Relations tab by selecting Corporate Governance.

Code of Ethics and Business Conduct

The Board of Directors has adopted a code of ethics and business conduct that applies to all of our directors, officers and employees. You can find a link to such code on our website at http://www.L-3com.com. In accordance with, and to the extent required by, the rules and regulations of the SEC, we intend to post on our Web site waivers or implicit waivers (as such terms are defined in Item 5.05 of Form 8-K of the Exchange Act) and amendments of the code of ethics and business conduct that apply to any of our directors and executive officers, including our Chairman, President and Chief Executive Officer, Senior Vice President and Chief Financial Officer, and Vice President, Controller and Principal Accounting Officer or other persons performing similar functions.

Communications with Directors

Anyone who would like to communicate with, or otherwise make his or her concerns known directly to, the full Board of Directors, the Chair of any of the Executive, Audit, Nominating/Corporate Governance and Compensation Committees, to the non-management directors as a group or to the Lead Independent Director of the Board of Directors, may do so either by email that can be accessed through our website at http://www.L-3com.com or by addressing such communications or concerns to the Corporate Secretary of L-3 Communications Holdings, Inc., 600 Third Avenue, New York, New York 10016, who will forward such communications to the appropriate party. The addressed communications may be done confidentially or anonymously. The Corporate Secretary or Assistant Secretary will forward all correspondence to the Board of Directors or the specifically designated party, except for spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, surveys, business solicitations or advertisements or patently offensive or otherwise inappropriate material.

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SHAREHOLDER PROPOSALS AND NOMINATIONS

Under the SEC s rules and regulations, any shareholder desiring to submit a proposal to be included in our 2013 proxy statement must submit such proposal to us at our principal executive offices located at 600 Third Avenue, New York, New York 10016, to the attention of the Corporate Secretary, no later than the close of business on November 12, 2012. Under Rule 14a-8 under the Exchange Act, a shareholder submitting a proposal to be included in the Company s proxy statement is required to be a record or beneficial owner of at least 1% or $2,000 in market value of the Common Stock and to have held such Common Stock continuously for at least one year prior to the date of submission of the proposal, and he or she must continue to own such securities through the date on which the meeting is held.

The Amended and Restated Bylaws provide for advance notice provisions. The Amended and Restated Bylaws require the timely notice of certain information to be provided by any shareholder who proposes director nominations or any other business for consideration at a shareholders meeting. Failure to deliver a proposal in accordance with the procedures discussed below and in the Amended and Restated Bylaws may result in the proposal not being deemed timely received. To be timely, notice of a director nomination or any other business for consideration at a shareholders meeting must be received by our Corporate Secretary at our principal executive offices no less than 90 days nor more than 120 days prior to the first anniversary of the preceding year s annual meeting. Therefore, to be presented at the Company s 2013 Annual Meeting, such a proposal must be received by the Corporate Secretary on or after December 25, 2012 but no later than January 24, 2013. In the event that the date of the 2013 Annual Meeting is advanced by more than 20 days, or delayed by more than 70 days, from the anniversary date of the 2012 Annual Meeting, notice must be received not earlier than 120 days prior to such Annual Meeting and not later than the close of business on the later of the 90th day prior to such Annual Meeting or the 10th day following the day on which public announcement of the date of the 2013 Annual Meeting is first made. All proposals must be sent to our principal executive offices by certified mail, return receipt requested, to the attention of the Corporate Secretary, L-3 Communications Holdings, Inc, 600 Third Avenue, New York, New York 10016.

Shareholders may, subject to and in accordance with the Amended and Restated Bylaws, recommend director candidates for consideration by the Nominating/Corporate Governance Committee. The recommendation must be delivered to the Corporate Secretary, who will forward the recommendation to the Nominating/Corporate Governance Committee for consideration. The Amended and Restated Bylaws contain certain informational and other requirements that must be followed in connection with submitting director nominations and any other business for consideration at a shareholders meeting. The Amended and Restated Bylaws are posted on our website at http://www.L-3com.com.

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EXECUTIVES AND CERTAIN OTHER OFFICERS OF THE COMPANY

Set forth below is certain information regarding each of our current executives, other than Mr. Strianese who is presented under Class I Directors Whose Term Expires in 2014 , and certain of our other officers.

Name	Age	Principal Occupation and Other Information
Curtis Brunson	64	Executive Vice President of Corporate Strategy and Development. Mr. Brunson became an Executive Vice President in February 2009 and is responsible for leading the execution of L-3 s business strategy, including customer relationships, technical development and business development. Prior to that, he was a Senior Vice President. Mr. Brunson began his career in 1972 with Sperry Systems Management Division, prior to its merger into Unisys Government Services. At Unisys for over 20 years, he held several management positions of increasing responsibility. When Loral acquired Unisys Communication Systems in Salt Lake City, he was General Manager. That division became part of L-3 during L-3 s formation in 1997, with Mr. Brunson becoming President at that time. Mr. Brunson holds a Bachelor of Science degree in Computer Science from the New York Institute of Technology and a Masters of Science degree in Computer Science from Polytechnic Institute of New York University.
Ralph G. D Ambrosio	44	Senior Vice President and Chief Financial Officer. Mr. D Ambrosio became Chief Financial Officer in January 2007 and a Senior Vice President in April 2010. From March 2005 to January 2007, he was our Vice President Finance and Principal Accounting Officer and he continued to be our Principal Accounting Officer until April 2008. He became our Controller in August 2000 and a Vice President in July 2001 and was our Vice President and Controller until March 2005. He joined us in August 1997 and was our Assistant Controller until July 2000. Prior to joining us, he was a senior manager at Coopers & Lybrand LLP, where he held a number of positions since 1989. Mr. D Ambrosio holds a Bachelor s degree, summa cum laude, in Business Administration from Iona College and a Master s degree, with honors, in Business Administration from the Stern School of Business at New York University.
Steven M. Post	59	Senior Vice President, General Counsel and Corporate Secretary. Mr. Post became Senior Vice President, General Counsel and Corporate Secretary on May 27, 2008. Prior to that, Mr. Post held several positions at L-3 and its predecessor companies, including, most recently, Senior Vice President and General Counsel of the Integrated Systems group and prior to that, group counsel and associate counsel positions. Prior to joining L-3, Mr. Post was an instructor in the Contract Law department at the Judge Advocate General s School in Charlottesville, Va. He began his legal and military career at the Office of the Staff Judge Advocate in Ft. Dix, N.J., as the contract and fiscal law advisor and as senior trial counsel. Following that assignment, Mr. Post served as a trial attorney in the litigation division for the Judge Advocate General at the Pentagon. Mr. Post earned his law degree with honors from Indiana University, and his undergraduate degree from the University of Dayton.

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Name	Age	Principal Occupation and Other Information
Richard A. Cody	61	Senior Vice President of Washington Operations. General Cody (U.S. Army Ret.) joined L-3 in October 2008 and serves as a corporate Senior Vice President. Prior to joining L-3, General Cody served as the 31st Vice Chief of Staff, U.S. Army, a position he held from 2004 until his retirement from the U.S. Army in August 2008. With more than 36 years of service, General Cody has served in command and staff positions throughout the Army in the U.S. and overseas. He has also received major military awards and decorations, including the Defense Distinguished Service Medal. A graduate of the U.S. Military Academy, General Cody is also a Master Aviator with more than 5,000 hours of flight time.
Dan Azmon	48	Vice President, Controller and Principal Accounting Officer. Mr. Azmon was elected as a Vice President in April 2010. He has been our Principal Accounting Officer since April 2008 and our Controller since January 2005. Mr. Azmon joined L-3 in October 2000 and was our Assistant Controller until December 2004. Prior to joining L-3, Mr. Azmon held a number of financial management and financial reporting positions at ASARCO Incorporated and Salomon Brothers, Inc., and was a manager in the audit practice at Coopers & Lybrand LLP. He holds a Master of Business Administration degree from St. John s University in accounting and a Bachelor of Business Administration degree in finance from Hofstra University. Mr. Azmon is also a certified public accountant.
James W. Dunn	68	Senior Vice President and President of Electronic Systems Group. Mr. Dunn became a Senior Vice President in January 2004. He joined L-3 in June 2000 as President of our Link Simulation and Training division. Prior to joining us, from April 1996, when Loral Corporation was acquired by Lockheed Martin, to May 2000, Mr. Dunn served as president of several Lockheed Martin business units, including the Tactical Defense Systems Group, the Defense Systems Group, Fairchild Systems and the NESS Eagan, Akron and Archibald divisions. Prior to that, Mr. Dunn was with the Loral Corporation for 18 years, joining them in 1978. During that time, he held a series of management positions, including President of Loral Fairchild Systems, Senior Vice President of Engineering and Senior Vice President of Program Management. Mr. Dunn has two Master s degrees in both Electrical Engineering and Business Administration.
Steve Kantor	67	Senior Vice President and President of L-3 Services Group. Mr. Kantor was appointed Senior Vice President and President of L-3 Services Group in June 2010, prior to that Mr. Kantor was Senior Vice President and President of Marine & Power Systems Group beginning in March 2008. Prior to that he was Vice President and President of the Power and Controls Group. Mr. Kantor has over 35 years of experience in the defense electronics industry, serving the U.S. Department of Defense, prime contractors and original equipment manufacturers, and foreign allies. Previously, Mr. Kantor served as president of BAE Systems Reconnaissance and Surveillance Systems, a position he held since 1998. Prior to that, Mr. Kantor held various executive positions at Lockheed Martin, Loral and United Technologies. Mr. Kantor holds a Bachelor of Science degree in electrical engineering from the New York Institute of Technology.

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Name	Age	Principal Occupation and Other Information
John C. McNellis	59	Senior Vice President and President of Integrated Systems Group. Mr. McNellis became Senior Vice President and President of L-3 Integrated Systems Group in November 2008. Prior to that he was President of our Link Simulation and Training Division since September 2003. He possesses over 30 years of executive and project management experience in a broad spectrum of domestic and international defense programs. Prior to L-3, he served as President of Lockheed Martin s Tactical Systems unit and held executive positions at Loral and IBM. Mr. McNellis has an extensive background in aircraft special mission systems, modification and maintenance; command, control, communications, intelligence, surveillance and reconnaissance systems; training systems; and satellite command and control. Mr. McNellis holds a Master of Science degree in physics from the University of California, Los Angeles as well as a Master of Business Administration degree from the University of Santa Clara.
Robert E. Leskow	53	Vice President and President of Marine & Power Systems Group (M&PS) since June 2010. Mr. Leskow has extensive operational and financial management experience in the defense and commercial marine electronics industries. From 2002 to 2010, Mr. Leskow served as executive vice president and chief financial officer of M&PS. Prior to joining L-3, Mr. Leskow was the corporate controller for Signal Technology Corporation from 1999-2002 and held various management and financial leadership positions with Lockheed Martin and Loral. He holds a Bachelor of Science degree in Accounting from the University of Bridgeport, and a Master s of Business Administration from Pace University.
John S. Mega	59	Vice President and President of Microwave Group since August 1997. Mr. Mega has worked his entire career in the defense electronics industry, having started his career at Raytheon and held executive positions at Loral, Lockheed Martin and, since its inception, L-3 Communications. He received his Bachelor of Science degree, magna cum laude, from Boston College and is a member of American Mensa.
Susan D. Opp	48	Vice President and President of Communication Systems Group since February 2007. Ms. Opp formerly served as Vice President of Strategic Development and has extensive experience in engineering, product and business development and program management. She holds a Bachelor of Science degree in Electrical Engineering from South Dakota School of Mines & Technology, and a Master s Degree in Business Administration from the University of Utah.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

We know of no person who beneficially owned more than five percent of the Common Stock, except as set forth below.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355[1]	5,536,421[1]	5.54%[1]
Harris Associates Inc. Two North LaSalle Street, Suite 500 Chicago, IL 60602-3790[2]	5,299,852[2]	5.3%[2]
ClearBridge Advisors, LLC 620 8th Avenue New York, NY 10018[3]	5,103,235[3]	5.11%[3]

(1) Information shown is based on information reported by the filer on a Schedule 13G filed with the SEC on February 9, 2012, in which The Vanguard Group, Inc. reported that it has sole dispositive power over 5,394,667 shares of Common Stock, shared dispositive power over 141,754 shares of Common Stock and sole voting power over 141,754 shares of Common Stock. The Vanguard Group, Inc. reported that Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 141,754 shares or 0.14% of the Common Stock outstanding as a result of its serving as investment manager of collective trust accounts.

(2) Information shown is based on information reported by the filers on a Schedule 13G/A filed with the SEC on February 14, 2012, in which Harris Associates Inc. and Harris Associates L.P. each reported that it has sole dispositive and sole voting power over 5,299,852 shares of Common Stock. Harris Associates L.P. reported that it may be deemed to be the beneficial owner of such shares by reason of advisory and other relationships with the person who owns the shares. Harris Associates Inc. is the general partner of Harris Associates L.P.

(3) Information shown is based on information reported by the filer on a Schedule 13G filed with the SEC on February 14, 2012 in which ClearBridge Advisors, LLC reported that it has sole dispositive power over 5,103,235 shares of Common Stock and sole voting power over 4,201,156 shares of Common Stock.

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SECURITY OWNERSHIP OF MANAGEMENT

As of March 1, 2012, the Record Date, there were 98,896,328 shares of our Common Stock outstanding. The following table shows the amount of Common Stock beneficially owned (unless otherwise indicated) by our named executive officers, our directors and our director nominee, and by all of our current executive officers and directors as a group.

Except as otherwise indicated, all information listed below is as of March 1, 2012.

Name of Beneficial Owner	Common Stock Beneficially Owned Directly or Indirectly[1]	Common Stock Acquirable Within 60 Days[2]	Total Common Stock Beneficially Owned	Percentage of Shares of Common Stock Outstanding[3]
Directors and Named Executive Officers:				
Michael T. Strianese	56,191	819,357	875,548	*
Ralph G. D Ambrosio	12,573	114,940	127,513	*
Curtis Brunson	35,778	155,496	191,274	*
James W. Dunn	9,920	139,747	149,667	*
Steve Kantor	6,976	94,190	101,166	*
Claude R. Canizares	1,228	17,459	18,687	*
Thomas A. Corcoran	1,558	19,959	21,517	*
Lewis Kramer	1,300	3,587	4,887	*
Robert B. Millard[4]	327,467	24,959	352,426	*
H. Hugh Shelton		1,402	1,402	*
Arthur L. Simon	6,161	24,959	31,120	*
Alan H. Washkowitz	40,898	24,959	65,857	*
John P. White	1,356	14,959	16,315	*
Directors and Executive Officers as a Group (20 persons)	544,889	1,744,708	2,289,597	2.3%

(1) The number of shares shown includes shares that are individually or jointly owned and over which the individual has either sole or shared investment or voting authority. The shares of our Common Stock directly owned include the number of shares allocated to the accounts of executive officers under our savings plan as follows: Mr. Strianese, 2,589 shares; Mr. D Ambrosio, 1,935 shares; Mr. Brunson, 3,575 shares; Mr. Dunn, 978 shares; Mr. Kantor, 473 shares; and 17,622 shares held by the executive officers as a group.

(2) Shares that are deemed to be beneficially owned by the individual by virtue of the individual s right to acquire the shares upon the exercise of outstanding stock options within 60 days from March 1, 2012.

(3) In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of the acquisition rights described above. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person s actual ownership or voting power with respect to the number of shares of Common Stock actually outstanding at March 1, 2012.

(4) Includes 96,770 shares owned by a charitable foundation of which Mr. Millard and his wife are the sole trustees, and as to which Mr. Millard disclaims beneficial ownership.

* Share ownership does not exceed one percent, including stock options exercisable within 60 days of March 1, 2012.

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COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Discussion and Analysis (CD&A) describes L-3 s executive compensation program for the year ended December 31, 2011. This section details the compensation framework applied by the Compensation Committee of our Board of Director (the Committee) in determining the pay levels and programs available to our named executive officers for whom compensation is disclosed in the compensation tables included in the Tabular Executive Compensation Disclosure section of this proxy statement beginning on page 56. In particular, this section reviews our compensation philosophy, elements of executive pay, compensation decisions, and the link between executive pay and performance. The named executive officers for the 2011 fiscal year are:

Michael T. Strianese, Chairman, President and Chief Executive Officer

Ralph G. D Ambrosio, Senior Vice President and Chief Financial Officer

Curtis Brunson, Executive Vice President of Corporate Strategy and Development

James W. Dunn, Senior Vice President and President of Electronic Systems Group

Steve Kantor, Senior Vice President and President of L-3 Services Group

2011 Shareholder Advisory Vote on Executive Compensation (Say on Pay)

At our 2011 annual shareholders meeting, L-3 s shareholders adopted our Say on Pay proposal, which sought advisory approval of the compensation paid to our named executive officers. Although we obtained majority support for our 2011 Say on Pay proposal, approximately 40% of shareholders voting on the proposal voted against it. In recognition of the meaningful level of opposition, the Committee initiated a complete review of L-3 s executive pay programs for its named executive officers. The Committee hired a new, independent compensation consultant, Cook & Co., to comprehensively assess the philosophy, design and components of L-3 s executive pay programs, as well as the appropriateness of executive pay levels. The Committee also directed management to continue its engagement efforts with institutional investors that had begun in connection with the 2011 Say on Pay vote in order to better understand and respond to shareholder concerns.

Through this engagement process, the Committee determined that our investors desired a better understanding of the link between performance and the specific pay decisions made by the Committee, particularly as it relates to Mr. Strianese, our Chief Executive Officer. Accordingly, the Committee adopted a number of program changes intended to strengthen the performance orientation of our executive pay programs and provide greater transparency with respect to the pay determination process, including the complete redesign of the annual incentive plan to follow a more formulaic structure. The Committee determined to further demonstrate its commitment to a pay for performance culture by: (1) changing the long-term incentive mix to increase the emphasis on performance awards and decrease the emphasis on time-vested stock options, (2) adopting corporate governance measures considered by investors to reflect best practices, (3) with the Chief Executive Officer s consent, retroactively adding performance vesting conditions to his stock options granted in February 2011, and (4) including the same performance vesting conditions for the Chief Executive Officer s stock options granted in February 2012. Specific pay program changes include:

Formulaic Annual Incentive Plan. L-3 adopted a formula-based approach for determining annual incentive awards that uses pre-established goals to assess the financial and individual performance achievements of our executives. Subject to shareholder approval, annual incentive awards for 2012 and later years would be made under our proposed Cash Incentive Plan in order to maximize the tax deductibility of these awards under Section 162(m) of the Code. See additional details in the sections Proposal 2. Approval of the L-3 Communications Holdings, Inc. 2012 Cash Incentive Plan beginning on page 8, and Tax Considerations beginning on page 52.

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Performance Conditions on the Chief Executive Officer s Stock Options. With the Chief Executive Officer s consent, L-3 retroactively modified the grant of 237,636 stock options made to him in February 2011 to include performance-based vesting conditions tied to our 2012 financial results. This action increased the Chief Executive Officer s percentage of long-term incentives that were granted subject to specific performance requirements from 30% of the grant date target value awarded in 2010 to 70% in 2011. The addition of performance conditions also effectively increased the required holding period on 79,212 options that otherwise would have vested in February 2012 until the time that the Committee evaluates whether the conditions have been satisfied, which is not expected to occur until February 2013. See additional details on page 47 in the Annual Incentives Stock Options section. The same performance vesting conditions tied to our 2012 financial results were also imposed on the stock options granted to the Chief Executive Officer in February 2012.

Emphasis on Performance Awards. Beginning with the long-term incentive awards granted in February 2012, L-3 increased the percentage of the total grant date target value of the long-term incentive awards granted in the form of performance awards from 30% to 40%, and decreased the percentage of stock options from 40% to 30%. The percentage of restricted stock units (RSUs) remained constant at 30%.

Higher Stock Ownership Guidelines. L-3 increased the Chief Executive Officer s stock ownership guideline from five to six times base salary. In addition, L-3 revised the guidelines to no longer provide credit for the value of unexercised stock options. All executives subject to stock ownership guidelines are also now required to retain 75% of net shares acquired upon the vesting of long-term equity incentives (increased from 50% of net shares under the previous guidelines) until their minimum stock ownership requirements are met. Additional details are found on page 51 in the Stock Ownership Guidelines and Retention Requirements section.

Adoption of clawback and anti-hedging policies. L-3 adopted the clawback and anti-hedging policies detailed on pages 51-52 in the Compensation Clawback Policy and Anti-Hedging Policy sections.

Pay for Performance Philosophy

Our compensation philosophy supports a pay for performance culture. We target base salaries and annual and long-term incentive opportunities to approximate market median compensation levels, based on experience, performance, and other individual factors as described in the section Use of Market Data and Competitive Compensation Positioning beginning on page 37. The majority of each executive s target pay opportunity is delivered in the form of incentive compensation, which is subject to future performance to have any realizable value. The Committee believes it is appropriate to deliver above market pay when earned by superior performance and below market pay for underperformance. For 2011, our Chief Executive Officer s base salary, target annual incentive opportunity and grant date target value of long-term incentive awards were held constant at 2010 levels, resulting in a total target pay opportunity aligned with market median compensation levels, consistent with our compensation philosophy. Our other named executive officers received salary increases, target annual incentive opportunities and grant date target values for long-term incentive awards that reflected changes in responsibilities and market-based adjustments, resulting in total target pay opportunities that, on average, were slightly below market median compensation levels.

The majority of our named executive officers pay is in the form of stock-based long-term incentive awards, where the ultimate value realized is directly aligned with our shareholders experience. The table below demonstrates the long-term relationship between our Chief Executive Officer s net realized compensation and TSR relative to the companies included in the compensation peer group used by the Committee to evaluate the competitiveness of L-3 s executive pay levels. These companies are identified in the Use of Market Data and Competitive Compensation Positioning section beginning on page 37. The analysis covers a five-year period beginning January 1, 2006 and ending December 31, 2010, which

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correlates to Mr. Strianese s tenure as L-3 s Chief Executive Officer and reflects the most current market pay data available. Over this period, more than half of our Chief Executive Officer s total direct compensation (that is, the sum of his annual base salary, annual incentives earned, and grant date target value of long-term incentives) has been delivered in the form of stock-based long-term incentive compensation.

Companies that fall in the shaded blue area exhibit a substantial degree of alignment between realized pay and shareholder returns. We believe that the positioning of our Chief Executive Officer s realized compensation relative to our TSR demonstrates that our compensation programs are working as intended.

During fiscal years 2006 to 2010, 47% of the total grant date target value of our Chief Executive Officer s long-term incentives were awarded in the form of stock options (with a cumulative grant date target value of approximately $16.6 million).

Stock options are only valuable to the extent that the stock price on the exercise date exceeds the stock price on the date of grant. Given L-3 s stock price performance, the stock options granted to Mr. Strianese during this period had no realizable value as of the end of the period.

Net Realized Pay includes the sum of the following amounts for the five-year period ended December 31, 2010: (1) base salary paid during the period; (2) annual and other cash-based incentives earned during the period; (3) gains realized from the exercise of stock options or the vesting of other equity-based awards during the period; (4) unrealized gain (loss) based on the change in the aggregate in-the-money value of unexercised options between the first day and the last day of the period; (5) unrealized gain (loss) based on the change in the aggregate value of other equity-based awards between the first day and the last day of the period, assuming the target level of performance will be achieved for performance-based awards; and (6) dividends paid or accrued during the period on unvested equity awards.

Analysis excludes SAIC, Inc. because it did not have a full five-year stock trading history at the time of the analysis.

2011 Operating Environment, Company Achievements, and Compensation Decisions

Company Background and 2011 Operating Environment. L-3 is a prime contractor in command, control, communications, intelligence, surveillance and reconnaissance systems; aircraft modernization and maintenance; and government services. L-3 is also a leading provider of a broad range of electronic systems used on military and commercial platforms. Approximately 75% of our annual consolidated net sales are made to the U.S. Department of Defense (DoD). Accordingly, changes in DoD budget trends generally result in similar changes in our results of operations and cash flows. Additionally, most of our businesses are short-cycle in nature, and, as a result, changes in business trends immediately affect our sales volume. The year ended December 31, 2011 was a challenging year characterized by what we believe is the beginning of a cyclical downturn for DoD budgets. Our business was also affected by DoD efficiency initiatives implemented during 2010 to generate savings by reducing overhead, improving business practices and culling excess or troubled military programs, with the aim of preserving funding for the U.S. military force structure and equipment modernization, despite tightening DoD budgets. The DoD efficiency initiatives have generally resulted in more competition, lower profit margins and increased contract turnover, especially in our services businesses.

2011 Performance Achievements. Given this challenging U.S. defense sector environment, our 2011 sales declined by 3% and 2011 operating income (OI) declined by 6%, compared to 2010. However, our emphasis on operational efficiency, robust cash flow generation and disciplined capital allocation enabled us to increase diluted earnings per share (EPS), as adjusted, by 6% and free cash flow

(FCF) by 1% for 2011 compared to 2010. We believe that EPS and FCF constitute two of the most important financial measures that drive long-term shareholder value creation. Our 2011 EPS and FCF achievements build upon our strong record of performance for these measures, as demonstrated in the tables below. Our results for EPS, FCF and OI discussed in this paragraph, or otherwise reflected in the tables below, are subject to the adjustments set forth in Reconciliation of Non-GAAP Measures to GAAP Measures section beginning on page 53.

Incentive Plan Payouts based on 2011 Performance. Our annual incentive plan and the performance units under our long-term incentive plan are subject to the achievement of specified targets for the following metrics: EPS, FCF, and TSR. Despite the challenging economic environment in 2011 described above, we exceeded our annual plan on EPS and FCF, which resulted in payouts above target, but below 2010 levels. The long-term performance units that vested on December 31, 2011 performed above target on the basis of growth in EPS over the 2.5 year performance period, but payouts were made below target based on our relative TSR performance fell below minimum, resulting in a combined payout for all performance units that fell below target.

Annual Incentive Plan (Performance Period: 01/01/2011 12/31/2011)

L-3 exceeded corporate goals for EPS and FCF.

As a result, the Chief Executive Officer s actual annual incentive plan payout was 25% above target, and payouts for other named executive officers ranged from 5% to 25% above target, consistent with individual and/or group performance.

Long-Term Performance Units (Performance Period: 07/27/2009 12/31/2011)

Long-term growth in EPS exceeded our target established in 2009, and resulted in a 187% payout under this measure.

However, TSR over this period fell below the threshold performance goal and no payout was earned under this measure.

The combined award, based 50% on EPS growth and 50% on TSR, paid out a number of shares for all named executive officers that was 7% below target, resulting in an aggregate dollar value on the vesting date that was 15% below the aggregate grant date target value of the award.

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Compensation Philosophy and Program Objectives

Outlined below is the Committee s mission, compensation philosophy and program objectives derived from the philosophy.

Mission	Compensation Philosophy	Compensation Program Objectives
Maximize Shareholder Value	Set pay at competitive levels to achieve the Company s compensation program objectives in support of L-3 s mission	Attract top industry executives
	Pay for performance. L-3 s philosophy is to position target pay opportunities at market median, with the understanding that actual pay may be above or below market depending on actual performance. See Use of Market Data and Competitive Market Positioning beginning on page 37 for details on market benchmarks and competitive positioning.	Motivate employees to achieve and exceed our performance goals
		Retain key employees to drive the success of our business
		Align the interests of our executives and shareholders through equity ownership

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Program Overview

The table below outlines the principal elements of our executive compensation and benefits program.

Element	Purpose/Objectives	2011/2012 Actions
Base Salary	Foundation of the compensation program Attract and retain top executives Steady income stream Reflects each executive s individual role and responsibilities	No increase in CEO s salary Promotional increase for Mr. Dunn consistent with increased responsibilities Modest increase for other named executive officers
Annual Incentives	Link pay and short-term performance Promote achievement of annual corporate, group and individual goals Reward executives for what they can control Align executive s actions with short-term business strategy Direct link to annual financial and operational performance	This plan has been completely redesigned to be formula based For 2011, the Committee used its discretion to determine annual incentive payments based on the formulaic plan structure as if it were in effect at the beginning of the year For 2012, the Committee reviewed and approved specific performance goals in February 2012, consistent with management s internal plan and our publicly disclosed financial guidance. The performance goals will be used within a formulaic plan structure, consistent with the structure used for the 2011 annual incentives, in order to determine the annual incentives payable in 2013 based on 2012 performance Assuming shareholders approve the Cash Incentive Plan, annual incentives earned thereunder in 2012 and later years would be tax deductible under Section 162(m) of the Code
Long-Term Incentives	Link pay and long-term performance Promote stock price appreciation; align executives with shareholder interests Motivate achievement of long-term business objectives	Pay mix unchanged for awards granted in 2011, but increased weighting of performance awards granted in 2012 Performance vesting conditions imposed on CEO s stock options (for awards granted in 2012 and retroactively for 2011 grants)

	Retention of key employees Wealth creation vehicle	
Health & Welfare and Retirement Benefit Plans	Tax qualified retirement, medical, dental, vacation and other insurance options provide a competitive level of benefits Nonqualified retirement plan (restoration SERP) provides a competitive level of replacement income upon retirement for executives who are subject to Code limits under the tax qualified retirement plan Nonqualified deferred compensation plan serves as a voluntary tax deferred savings vehicle; no employer contributions and no above-market interest Retention of key employees	No changes in 2011 or 2012 to date
Perquisites	Personal benefits in limited circumstances consistent with competitive practices	No changes in 2011 or 2012 to date
Change in Control Severance Plan	Temporary income following involuntary termination Promotes management continuity in the event of change in control	No changes in 2011 or 2012 to date
Sound Pay Practices	No employment contracts No guaranteed bonuses No additional age/service credits for years not worked with L-3 or its predecessor companies under pension plan/SERP No personal use of corporate aircraft at L-3 s expense No excessive severance or change in control provisions No payment of dividends on stock options or unvested performance awards	To further demonstrate our commitment to sound corporate governance practices in 2011, L-3 adopted stronger stock ownership guidelines, a clawback policy and a securities trading policy that prohibits the hedging of company stock by executives

No stock option repricing without shareholder approval

No tax gross-ups on perquisites or severance/change in control payments

Mix of Pay

The Committee believes that L-3 s 2011 pay mix supports the Company s strong pay for performance culture, as 68% of the Chief Executive Officer s 2011 target total direct compensation (TDC) is contingent upon future performance to have any realizable value (at risk pay). Target TDC for 2011 is defined as the sum of (1) annualized base salary as of the end of fiscal year 2011, (2) the target award opportunity of the annual incentive to be earned for fiscal year 2011 performance and (3) the grant date target value of long-term incentives awarded in 2011, where the actual value realized from the awards will be subject to the satisfaction of future performance requirements and the value of our stock price. The process used by the Committee to set target TDC opportunities, and the competitive positioning against market, is described below in the section Use of Market Data and Competitive Compensation Positioning.

Base salary and RSUs are the only elements of 2011 target TDC that are not contingent on future performance to have value (fixed pay). However, they both serve to attract and retain top executive talent, and the use of these pay elements is consistent with competitive market practices. As illustrated below, the mix of incentive compensation for our named executive officers is balanced to avoid the risk of emphasizing short-term gains at the expense of long-term performance. The emphasis on long-term incentives demonstrates our strong commitment to the alignment of management and shareholder interests.

Use of Market Data and Competitive Compensation Positioning

The Committee believes that the success of our Company is dependent upon its ability to continue to attract and retain high-performing executives. To ensure the comparability of our executive compensation practices and pay levels, the Committee monitors executive pay at 14 leading defense, aerospace and other industrial companies (the compensation peer group) with whom L-3 competes for business, executive talent or investor capital. The table below shows the composition of our peer group, which has been unchanged since 2008.

Compensation Peer Group

Danaher Corporation	ITT Corporation	Rockwell Collins, Inc.
Eaton Corporation	Lockheed Martin Corporation	SAIC, Inc.
General Dynamics Corporation	Northrop Grumman Corporation	Textron, Inc.
Goodrich Corporation	Parker Hannifin Corporation	United Technologies Corporation
Honeywell International, Inc.	Raytheon Company	

The Committee evaluates each peer company on an annual basis to determine its continued suitability from a pay benchmarking perspective. The selection criteria examined include:

Operational Fit: companies in the same or similar industries with a consistent business mix and client base, and diversified global operations. Due to the limited number of pure defense companies of comparable size, the Committee believes that it is appropriate to include other companies in L-3 s compensation peer group that are similar in size and compete with L-3 for executive talent or investor capital.

Financial Scope: companies of similar size as measured by annual corporate revenues. Most of the peers fall within a range of one-third to three times the size of L-3, and L-3 s revenues are at or near the median of the compensation peer group. In limited circumstances, we have found it appropriate to include companies with revenues that fall both above and below this range if they are proven competitors for business, executive talent or investor capital.

In addition to the compensation peer group data, the Committee also reviews general industry compensation data included in third-party surveys. With respect to compensation decisions made by the Committee in 2011, the Committee considered compensation data from the following surveys: the Mercer US Global Premium Executive Remuneration Suite, the Hewitt Associates: Executive Survey, the Towers Perrin Executive Survey/Executive Compensation Database and the Watson Wyatt Survey Report on Top Management Compensation. The survey data is size-adjusted to reflect L-3 s annual revenues, and is used to provide a supplemental market reference.

In reviewing competitive compensation levels, the Committee considers compensation peer group data for all named executive officers and, for those named executive officers who are group presidents (Messrs. Dunn and Kantor), also considers survey data because it believes that including a broader industry group more accurately reflects the labor market for these positions and ensures a meaningful sample size given the revenues of the groups they lead.

The Committee compares each named executive officer s target TDC against the market median; however, the Committee does not use market data in isolation in determining pay. Instead, competitive market data serves as one of many considerations used by the Committee in determining base salary adjustments and target pay opportunities for both annual and long-term incentives. The complete list of factors considered by the Committee in making pay determinations is shown below.

Target Pay Determinants

Positioning to competitive market median	Financial and individual performance	Role and responsibilities relative to benchmark
Competitive mix of fixed and at-risk pay	Tenure and experience in role	Internal pay equity
Competitive mix of cash and equity	Expected future contributions and market conditions	

With respect to individual elements of target TDC, competitive levels of annual and long-term incentives are evaluated by reference to target total cash compensation (sum of base salary and target annual incentive opportunity) and target TDC, respectively, each of which are compared against the market median. The Committee asked Cook & Co. to evaluate the Committee s market median compensation philosophy in the context of our revised 2011 compensation program by conducting a comprehensive review of L-3 s competitive positioning on each element of target TDC based on this approach. The results of Cook & Co. s independent analysis concluded that the Chief Executive Officer s target TDC, and each of the individual elements of target TDC, aligned with market median. Cook & Co. s observation for the other named executive officers indicated that, on average, target TDC and all individual elements of target TDC either aligned with, or were slightly below, market median.

Who Determines Pay

Role of the Compensation Committee

L-3 s executive compensation program is administered by the Committee. The Committee is ultimately responsible for the review and approval of compensation for L-3 s Chief Executive Officer and all executives that directly report to him, including the other named executive officers. Key areas of responsibility for the Committee are described in The Board of Directors and Certain Governance Matters Compensation Committee beginning on page 20.

Role of Management and the Chief Executive Officer

The Company s human resources, finance and legal departments assist the Committee in the design and development of competitive compensation programs by providing data and analysis to the Committee and Cook & Co. in order to ensure that L-3 s programs and incentives align with and support

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the Company s business strategy. Management also recommends incentive plan metrics, performance targets and other plan objectives to be achieved, based on expected Company performance and subject to Committee approval.

On an annual basis, the Chief Executive Officer reviews the performance of those executives that report directly to him, including the other named executive officers, relative to their individual goals and Company performance and submits recommendations to the Committee for proposed base salary adjustments, annual incentive plan target opportunities and personal ratings, and grant date target values for long-term incentive awards. The Chief Executive Officer also provides the Committee with an annual self-assessment of his own performance, but has no role in determining his own compensation. No other named executive officer participates in the setting of compensation for himself or any other named executive officer.

Role of the Compensation Consultant

The Committee has the sole authority to select, retain and replace outside consultants to provide it with advice on various aspects of executive compensation design and delivery. The Committee retained Mercer to provide information, analyses and advice regarding executive compensation decisions through April 2011. The Committee advised Mercer in June 2011 of its determination to engage a new, independent compensation consultant, and subsequently engaged Cook & Co., who advises the Committee on executive and non-employee director compensation, but performs no other services for the Company. See The Board of Directors and Certain Governance Matters Compensation Committee Use of Consultants on page 21 for additional details.

Base Salary

Base salary serves as the foundation of an executive s compensation and is an important component in L-3 s ability to attract and retain executive talent. The Committee typically sets base salaries for named executive officers within a competitive range around market median. On an individual basis, the Committee considers each executive s role and responsibilities, experience, tenure, business results and individual performance, competitive market pay levels, and internal pay equity considerations in making base salary adjustments. In 2011, the Committee did not increase the Chief Executive Officer s base salary in light of these factors; however, it did approve base salary adjustments of 3.4% on average, for the other named executive officers (other than Mr. Dunn) to maintain competitive positioning as compared to market levels. Mr. Dunn initially received a base salary increase of 3.0% effective April 1, 2011 from $536,000 to $552,000, as part of the annual compensation review process. On April 26, 2011, the Committee approved an additional salary increase for Mr. Dunn of 8.7% from $552,000 to $600,000, also effective April 1, 2011, to reflect his increased responsibilities resulting from the consolidation of business units within L-3 s Products Group and L-3 s Sensors and Simulations Group to form L-3 s Electronic Systems Group. Cook & Co. s benchmarking analysis determined that the base salaries for the Chief Executive Officer, and for all of the other named executive officers on average, were consistent with market median.

Named Executive Officer	2010 Salary (in $000)	2011 Salary (in $000)	Percent Change
Michael T. Strianese	$ 1,300	$ 1,300	0.0%
Ralph G. D Ambrosio	$ 575	$ 592	3.0%
Curtis Brunson	$ 568	$ 592	4.2%
James W. Dunn	$ 536	$ 600	11.9%
Steve Kantor	$ 600	$ 618	3.0%

Note: Amounts reflect annualized base salary rates in effect at the end of the fiscal years indicated.

Annual Incentives

The Annual Incentive Plan provides senior executives, including the named executive officers, with the opportunity to earn annual cash incentive awards based on corporate, group and individual performance. Historically, the Committee applied its informed business judgment in making year-end

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incentive award determinations without the application of specific formulas or weightings toward any particular goal. Following our extensive and ongoing engagement efforts with investors, the Committee decided to redesign the annual incentive plan to adopt a more formulaic approach. While the target incentive opportunities will continue to be based on competitive market pay levels reflecting each executive s role and responsibilities, the determination of the actual incentive payments will be made with greater transparency as to the relationship between performance achievements and the final awards earned. The table below highlights some of the differences in final award determination between the 2010 plan design (Discretionary Plan) and the newly redesigned plan (Formulaic Plan).

Award Determination under Discretionary Plan	Award Determination under Formulaic Plan
No preset performance criteria	Performance criteria defined at the beginning of the performance period
Actual performance compared to business plan and prior year results, and also relative to compensation peer group results	Performance compared to pre-established goals
Financial performance measured based on a number of performance metrics, including sales, OI, EPS, FCF, net income to FCF conversion and FCF to equity market cap	For corporate named executive officers, financial performance is based on EPS and FCF results For group presidents, financial performance is primarily based on the OI and FCF results for their respective groups, with additional consideration given to L-3 s consolidated EPS and FCF
Individual performance considered collectively with financial performance	Individual performance measured based on pre-established goals and assigned specific weighting
Payouts can range from 0% to 200% of target annual incentive opportunity based on performance $0 to $3 million+ for the Chief Executive Officer	Payouts can range from 0% to 200% of target annual incentive opportunity based on performance 0% to 200% of target for the CEO and the other named executive officers For group presidents, up to an additional 25% of the target annual incentive opportunity can be earned based on achievement of organic OI growth

In determining annual incentive awards for 2011, the Committee considered that 2011 would be an important transition year. Although the new plan design was not in place at the beginning of the performance year, the Committee used its discretion to determine 2011 annual incentive payments based on the formulaic plan structure as if it were in effect at the beginning of the year. The corporate financial targets used by the Committee for measuring the financial performance of the named executive officers were based on management s consolidated internal financial plan, which was presented to L-3 s Board of Directors and forms the basis of L-3 s financial guidance for 2011 EPS and FCF disclosed to investors in the first quarter of 2011. The individual group financial targets were based on the group financial plans and were also consistent with L-3 s consolidated internal financial plan presented to the Board of Directors. Based on actual financial performance for 2011 relative to plan, and on the Committee s assessment of the named executive officers individual performance for 2011, the Committee approved 2011 annual incentive payouts that were above target based on performance, but below 2010 payout levels as detailed in the steps below.

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STEP 1. Determine target annual incentive opportunity

Annual incentive plan (AIP) target award opportunities are set as a percent of base salary and range from 85% to 154% for the named executive officers. For 2011, these targets were formulated in connection with the adoption of the new formulaic plan structure. For 2012 these targets were, and in future years, these targets are expected to be, established in February of the performance

Named Executive Officer	2011Salary (in $000)	2011 AIP Target(%)	2011 AIP Target (in $000)
Michael T. Strianese	$ 1,300	154%	$ 2,000
Ralph G. D Ambrosio	$ 592	85%	$ 503
Curtis Brunson	$ 592	85%	$ 503
James W. Dunn	$ 600	110%	$ 660
Steve Kantor	$ 618	100%	$