L-1 IDENTITY SOLUTIONS, INC.
Form 10-K/A
May 02, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to .

Commission File Number 001-33002

L-1 IDENTITY SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**02-0807887**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
177 Broad Street, 12th Floor, Stamford, CT	**06901**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (203)-504-1100

Securities registered pursuant to Section 12(b) of the Act: Common Stock $.001 par value NYSE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by a check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes þ No

Indicate by a check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. o Yes þ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference into Part III of this Form 10-K or any amendment to this Form 10-K. þ Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by a check mark whether the Registrant is a shell Company (as defined in Rule 12b-2). o Yes þ No
The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2010, was approximately $630.3 million.
As of February 24, 2011, the registrant had 90,311,719 shares of Common Stock outstanding.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K/A (the Amendment) for the fiscal year ended December 31, 2010 of L-1 Identity Solutions, Inc. (the Company) is being filed solely to furnish the information required by Part III, Item 10 through Item 14 of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 which was filed with the U.S. Securities and Exchange Commission on March 1, 2011 (the Original Filing).

This Amendment is being filed to amend the Original Filing to include the information required by Items 10 through 14 of Part III of Form 10-K, which information was previously omitted from the Original Filing in reliance on General Instruction G(3) to Form 10-K. General Instruction G(3) to Form 10-K permits the information in the above referenced items to be included in the Form 10-K filing by incorporation by reference from our definitive proxy statement if such statement is filed no later than 120 days after our fiscal year-end. Due to the pendency of our previously-announced merger with Safran S.A., we do not plan to file a definitive proxy statement within such 120-day period and therefore we are filing this Amendment to include Part III information in our Form 10-K. The reference on the cover of the Original Filing to the incorporation by reference to portions of our definitive proxy statement into Part III of the Original Filing is hereby deleted.

In accordance with Rule 12b-15 under the Exchange Act, Part III, Items 10 through 14 of the Original Filing are hereby amended and restated in their entirety, and Part IV, Item 15 of the Original Filing is hereby amended and restated in its entirety to include as exhibits updated certifications required by the Sarbanes-Oxley Act of 2002. This Amendment No. 1 does not amend or otherwise update any other information in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and with our filings with the SEC subsequent to the Original Filing. This Amendment does not reflect events occurring after the filing of the Original Filing or modify or update disclosures, including the exhibits to the Original Filing, affected by subsequent events.

PART III

Item 10. Directors and Executive Officers and Corporate Governance

DIRECTORS

The Board of Directors currently consists of 10 directors, each of whom is described below. The term of the Class I Directors will expire at the 2012 Annual Meeting of Stockholders, subject to the election and qualification of their respective successors. The term of the Class II Directors will expire at the 2013 Annual Meeting of Stockholders, subject to the election and qualification of their respective successors. The term of the Class III Directors will expire at the 2011 Annual Meeting of Stockholders, subject to the election and qualification of their respective successors. It is not currently anticipated that the Company will hold a 2011 Annual Meeting of Stockholders due to the pendency of the Company s previously announced merger with Safran S.A. (Safran).

Name and present position, if any, with the Company	Age, period served as a director, other business experience
Class I Directors	
B.G. Beck	74, has served as a director of the Company since February 2004. Mr. Beck was the Founder, President and Chief Executive Officer of Trans Digital Technologies Corporation from 1998 until its acquisition by the Company in February 2004. Mr. Beck currently serves as a member of the board of directors of Cardinal Financial Corporation, a provider of comprehensive individual and corporate banking services. Mr. Beck brings to the Board practical business experience as the founder of a successful secure credentialing business. Under Mr. Beck s leadership, Trans Digital Technologies became the sole source provider of high security technology and services to the U.S. Department of State for the production of U.S. passports. Mr. Beck s experience equips him to provide expert input to the Board relating to our secure credentialing business specifically and U.S. government contracting generally. In addition, Mr. Beck serves as a member of our Marketing Committee.
James M. Loy	68, has served as a director of the Company since July 2006. Mr. Loy has been Senior Counselor at The Cohen Group since 2005. From 2003 to 2005, Mr. Loy served as Deputy Secretary of Homeland Security. From 2002 to 2003, he was Administrator, Transportation Security Administration. He served as Commandant of the U.S. Coast Guard from 1998 to 2002 and was Coast Guard Chief of Staff from 1996 to 1998. From 1994 to 1996, Mr. Loy was Commander of the Coast Guard s Atlantic Area. Mr. Loy also serves on the board of directors of Lockheed Martin Corporation. Mr. Loy s senior leadership experience at Homeland Security, the Transportation Security Administration and as Commandant of the U.S. Coast Guard has exposed him to a broad range of national security issues which directly impact our business and the products we develop. In addition, Mr. Loy serves as the Chairman of our Compensation Committee and as a member of our Audit Committee.

Name and present position, if any, with the Company	**Age, period served as a director, other business experience**
Peter Nessen	75, has served as a director of the Company since its incorporation in 1996. Since July 2003, Mr. Nessen has served as the President of Nessen Associates Ltd., a non-profit consulting company. From January 2003 to July 2003, Mr. Nessen served as an adviser to the Governor of the Commonwealth of Massachusetts on education matters. Mr. Nessen has been chairman of the board of directors of NCN Financial, a private banking firm, since January 1995. From June 1993 through December 1994, Mr. Nessen was Dean for Resources and Special Projects at Harvard Medical School. From January 1989 to February 1993, Mr. Nessen was Secretary of Administration and Finance for the Commonwealth of Massachusetts. Prior to that, Mr. Nessen, who is a Certified Public Accountant, worked with Price Waterhouse before starting his own firm, Henry J. Bornhofft Company, which later merged with BDO Seidman. Mr. Nessen s senior advisory and leadership positions with the Commonwealth of Massachusetts give him insight into state governmental matters, which are highly relevant to our secure credentialing business in particular. Mr. Nessen has a long history of leadership at our Company, having served on the board of our predecessor Viisage Technology, Inc., since its initial public offering in 1996. Mr. Nessen provides financial expertise to the Board, serving as the Vice Chairman of our Audit Committee, of which he was previously Chairman, and qualifying as an audit committee financial expert under the criteria established by the SEC. Mr. Nessen also serves as a member of our Nominating and Corporate Governance Committee, and the Special Committee of the Board of Directors. In addition, he serves as our Lead Director, presiding over executive sessions of the non-management directors pursuant to the listing rules of the NYSE.
Class II Directors	
Robert V. LaPenta *Chairman, President and Chief Executive Officer*	65, has served as the Chairman of the Board of Directors of the Company since December 2005 and as President and Chief Executive Officer of the Company since August 2006. Mr. LaPenta is the founder and Chief Executive Officer of L-1 Investment Partners, LLC, a private investment management firm. From April 1997 to April 2005, Mr. LaPenta served as President, Chief Financial Officer and a director of L-3 Communications Holdings, Inc., which he co-founded in April 1997. From April 1996, when Loral Corporation was acquired by Lockheed Martin Corporation, until April 1997, Mr. LaPenta was a Vice President of Lockheed Martin and was Vice President and Chief Financial Officer of Lockheed Martin s Command, Control, Communications and Intelligence and Systems Integration Sector. Prior to the April 1996 acquisition of Loral, he was Loral s Senior Vice President and Controller, a position he held since 1991. He joined Loral in 1972 and was named Vice President and Controller of its largest division in 1974. He became Corporate Controller in 1978 and was named Vice President in 1979. Mr. LaPenta is on the board of trustees of Iona College, the board of directors of Core Software Technologies and the board of directors of Leap Wireless International, Inc., a NASDAQ-listed company in the wireless telecommunications sector.

Since becoming the Chairman of the Board in December 2005, Mr. LaPenta has directed the Company s acquisition, integration, financing and marketing efforts, growing the business from $66.2 million in revenue in 2005 to $650 million in 2009. Mr. LaPenta s knowledge of all aspects of our business and its history, combined with his own substantial investment in the Company and focus on attaining shareholder value, position him well to serve as our Chairman, President and Chief Executive Officer.

Name and present position, if any, with the Company	Age, period served as a director, other business experience
Robert S. Gelbard	67, has served as a director of the Company since September 2005. Ambassador Gelbard is a self-employed international business consulting. From April 2005 until May 2010, he was Chairman of Washington Global Partners, LLC, a consulting firm. From March 2002 to September 2002, he was Senior Vice President of International Affairs and Government Relations for ICN Pharmaceuticals, Inc., a global pharmaceuticals company. From February 1967 to January 2002, Ambassador Gelbard held various senior level positions in the U.S. Department of State, including serving as Ambassador to Indonesia from 1999-2001, President Clinton s Special Representative for the Balkans from 1997-1999, Assistant Secretary of State from 1993-1997, and Ambassador to Bolivia from 1988-1991. In 1989 Ambassador Gelbard received the Presidential Meritorious Award, and in 2002 he received the State Department Distinguished Service Award, its highest decoration. Ambassador Gelbard has in-depth knowledge of the complex international, political and security issues that affect our business due to his experience in senior-level positions within the U.S. federal government. The federal government is a vitally important customer and Ambassador Gelbard has valuable insight regarding the international needs of this customer. In addition, Ambassador Gelbard serves as Chairman of our Marketing Committee and is a member of our Compensation Committee. From September 2005 until May 2010, he was Chairman of the Nominating and Corporate Governance Committee.
Harriet Mouchly-Weiss	68, has served as a director of the Company since its incorporation in 1996. Since February 2009, Ms. Mouchly-Weiss has been Vice Chairman and Senior Partner of Kreab Gavin Anderson Worldwide, a communications consulting firm, with offices in 25 countries, including New York and Washington. This is the product of a merger with the company she founded in January 1993, Strategy XXI Group, an international communications and consulting firm, in which she served as Managing Partner. Ms. Mouchly-Weiss was also Vice Chair of the Kreab Group, an international consultancy affiliated with Strategy XXI. Prior to founding Strategy XXI Group, Ms. Mouchly-Weiss was President of GCI International, a division of Grey Advertising. Ms. Mouchly-Weiss is a member of the Committee of 200 and currently serves on the boards of The Friends of the United Nations, the UJA-Federation of New York, the Count-Me-In micro-lending group, the Acumen Fund, the New Israel Fund, and is a Consultant to the Executive Director of UNOP. As the founder and managing partner of Strategy XXI, Ms. Mouchly-Weiss has executive level experience in marketing and communications issues with an international focus. This skill set brings a diversity of experience to our board. Ms. Mouchly-Weiss also brings a depth of understanding of our Company s history, having served on the board of our predecessor Viisage Technology, Inc. since its initial public offering in 1996. In addition, Ms. Mouchly-Weiss serves as a member of our Nominating and Corporate Governance Committee and Marketing Committee.

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Name and present position, if any, with the Company	Age, period served as a director, other business experience
Class III Directors	
Milton E. Cooper	72, has served as a director of the Company since August 2006 and previously served on the board of directors of Identix Incorporated (Identix) from 2001 through August 2006. Mr. Cooper is a past Chairperson for the Secretary of the Army s National Science Center Advisory Board. From 1992 until his retirement in June 2001, Mr. Cooper served as President, Federal Sector for Computer Sciences Corporation (CSC), one of the largest systems integrators for federal government agencies and a leading supplier of custom software for aerospace and defense applications. Mr. Cooper joined Systems Group, the predecessor organization to CSC s Federal Sector, in 1984, as Vice President, Program Development. Prior to joining CSC, Mr. Cooper served in various marketing and general management positions at IBM Corporation, Telex Corporation and Raytheon Company. Mr. Cooper currently serves as a member of the board of directors of ePlus Inc., a NASDAQ-listed company that operates technology sales and financing businesses. Mr. Cooper s senior executive role at CSC has provided him with expertise in federal government contracting in the technology area. His skills in this area bring a depth of experience to the Board that is directly applicable to a core business for the Company. In addition, Mr. Cooper s senior-level experience with the federal government provides him with valuable insights into the perspective of a vitally important customer. Having served on the Board of Identix (including as Chairman of the Board) prior to its merger with our predecessor Viisage Technology, Inc. in 2006, Mr. Cooper has nine years of leadership experience with L-1 companies. In addition, Mr. Cooper serves as a member of our Compensation Committee, of which he was previously Chairman, and as a member of our Marketing Committee.
Malcolm J. Gudis	69, has served as a director of the Company since August 2006 and formerly served on the board of directors of Identix from 2001 through August 2006. In 1993, he retired as Senior Vice President of Electronic Data Systems Corporation (EDS), where he had worked for 22 years. For six of those years, he served as a member of EDS Board of Directors, and for eight of those years, he served on EDS eight-person Management Board. Mr. Gudis also served as Chief Operating Officer with responsibility for all of EDS international and commercial business interests outside of North America, including operations in over 30 countries as well as worldwide responsibility for the market segments comprising the Communications, Transportation and Energy & Petrochemical industries. In 1998, Mr. Gudis was awarded the first International Alumni Award by The Max M. Fisher School of Business at Ohio State University. He currently serves on The Dean s Advisory Council at The Fisher School of Business at Ohio State University, the board of trustees of The Episcopal School of Dallas where he serves as Chancellor, and numerous charitable and business organizations advisory boards. Mr. Gudis executive-level experience at EDS, including in particular with respect to its international operations, provides him with a skill set that is valuable in light of the scope of the Company s international business. Mr. Gudis brings a substantial

level of financial expertise to the Board having served as the Chief Operating Officer of EDS International and Global Business interests as well as on the Board of Directors of EDS and each of its independent international entities. Mr. Gudis served on the Board of Identix prior to its merger with our predecessor Viisage Technology, Inc. In addition, Mr. Gudis serves as a member of our Audit Committee, Nominating and Corporate Governance Committee, and the Special Committee of the Board of Directors.

Name and present position, if any, with the Company	Age, period served as a director, other business experience
John E. Lawler	61, has served as a director of the Company since August 2006 and formerly served on the board of directors of Identix from June 2002 through August 2006. Mr. Lawler also served as a director of Visionics Corporation from December 1999 through June 2002. Mr. Lawler has been President of East/West Financial Services, Inc., a diversified financial management and business consulting firm, since November 1987. He is also a co-founder and current Chief Executive Officer of Sterling Wealth Management, Inc., a registered investment advisor, and has served on its board of directors since October 1999, currently serving as Chairman. From March 1982 to March 1988, Mr. Lawler served in various executive positions in Washington D.C. public relations firms, including Gray and Company, an advertising, public relations and lobbying firm, for which he served as Chief Financial Officer. From January 1975 to March 1982, Mr. Lawler served as Chief of the Office of Finance of the U.S. House of Representatives in Washington, D.C. Mr. Lawler also serves on the board of directors of NCI, Inc., a NASDAQ listed government integrator company and on the Board of Trustees of two non-profit faith-based endowment funds. Mr. Lawler s experience as Chief of the Office of Finance of the U.S. House of Representatives, and subsequently at Washington D.C. public relations firms, has provided him with in-depth knowledge of federal government appropriations and legislative procedures that are key to our business. Mr. Lawler also provides financial expertise to our Board. He serves as the Chairman of our Audit Committee, of which he was previously Vice Chairman, and qualifies as an audit committee financial expert under the criteria established by the SEC. He also serves as a member of our Nominating and Governance Committee, and the Special Committee of the Board of Directors. Mr. Lawler brings to the Board a depth of experience regarding our businesses, having served since 1999 on the boards of companies now affiliated with L-1, including Visionics and Identix. Additionally, Mr. Lawler holds a top-secret clearance, which allows additional access and discussion with certain Company divisions requiring such clearances. As CEO of Sterling Wealth Management, Inc, an investment advisory firm, he brings an understanding of investor relations, analyst reporting, and the perspective of the investment community. As President of East West Financial Services, Inc., he remains abreast of important governance matters for directors of public companies, as a guest speaker, panelist or participant in symposiums with the PCAOB, selected major public accounting firms and the National Association of Corporate Directors.

Name and present position, if any, with the Company	**Age, period served as a director, other business experience**
B. Boykin Rose	61, has served as a director of the Company since August 2006. Mr. Rose formerly served on the South Carolina Education Lottery Commission. He is also the former Director of the South Carolina Department of Public Safety. In this capacity, his responsibilities included the State Highway Patrol; the State Transport Police Division including the Size and Weight Enforcement Division; the Criminal Justice Academy and Training Division; the Highway Safety Office; the Division of Motor Vehicles, which includes the Driver Licensing Division; Vehicle Registration; Vehicle Titling; Licensing and Vehicle Enforcement; the Bureau of Protective Services; and the Office of Justice Programs. Prior to assuming his Department of Public Safety assignment, Mr. Rose served as Chairman of the South Carolina Alcoholic Beverage Control Commission. In the late 1980 s, Mr. Rose was a partner in the Washington, D.C. law firm of Proskauer Rose Goetz and Mendelsohn. He formerly served as Associate Deputy Attorney General in the United States Department of Justice, where his assigned areas of responsibilities included the United States Attorneys; the Federal Bureau of Investigation; the Drug Enforcement Administration; Immigration and Naturalization Service; Bureau of Prisons; United States Marshal Service, and other sensitive national security programs of the Department of Justice. Mr. Rose is a member of the Washington, DC and South Carolina Bars. Mr. Rose s senior level experience in local, state and federal government provides him with valuable insights in relation to our secure credentialing and law enforcement community business, which is dependent upon maintaining excellent relationships with state and federal agencies. Mr. Rose provides our Board with perspective of a local, state and federal government customer. In addition, Mr. Rose is the Chairman of the Nominating and Corporate Governance Committee and is a member of the Compensation Committee and the Special Committee of the Board of Directors.

EXECUTIVE OFFICERS

Information related to our executive officers is included in Part I of the Original Filing.

CORPORATE GOVERNANCE

Corporate Governance Policy

We have adopted a Corporate Governance Policy. This policy outlines the role of our Board of Directors, the composition and operating principles of our Board of Directors and its committees and our Board of Directors working process. A copy of our Corporate Governance Policy is posted on our website at www.L1id.com.

Code of Business Ethics & Standards of Conduct

We have adopted a Code of Business Ethics & Standards of Conduct (the *Code*), that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. A copy of the Code is posted on our website at www.L1id.com. Any amendments to, or waivers under, our Code which are required to be disclosed by the rules promulgated by the SEC will be disclosed on the Company s website at www.L1id.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who beneficially own more than 10 percent of our common stock, to file reports of ownership and changes in ownership with the SEC. Based solely upon a review of the copies of such forms furnished to us and written representations from our executive officers and directors, we believe that during the year ended December 31, 2010, all persons subject to the reporting requirements of Section 16(a) filed the required reports on a timely basis.

Board Committees

Our Board of Directors has four standing committees: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Marketing Committee. Our Board of Directors has adopted charters for each of its standing committees other than the Marketing Committee. Copies of our committee charters are posted on our website at www.L1id.com.

Audit Committee

Members of the Audit Committee are Mr. John E. Lawler (Chairman), Mr. Peter Nessen (Vice Chairman), Mr. Malcolm J. Gudis, and Mr. James M. Loy.

In discharging its duties, the Audit Committee has the sole authority to select, retain, oversee and terminate, if necessary, our independent registered public accounting firm, review and approve the scope of the annual audit, review and pre-approve the engagement of our independent registered public accounting firm to perform audit and non- audit services.

The Board of Directors has determined that each member of the Audit Committee is independent pursuant to the listing standards of the NYSE and the applicable rules of the SEC, that each member of the Audit Committee is financially literate pursuant to the listing standards of the NYSE and that each of Mr. Peter Nessen and Mr. John E. Lawler meets the additional criteria established by the SEC to qualify as an audit committee financial expert.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are Mr. B. Boykin Rose (Chairman), Mr. Malcolm J. Gudis, Mr. John E. Lawler, Ms. Harriet Mouchly-Weiss and Mr. Peter Nessen.

The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent, pursuant to the listing standards of the NYSE.

Our Amended and Restated Certificate of Incorporation expressly delegates to the Nominating and Corporate Governance Committee the full and exclusive power and authority otherwise conferred upon the Board of Directors to evaluate candidates and nominate persons to stand for election to the Board of Directors or fill vacancies on the Board of Directors or newly created directorships. In addition, the Nominating and Corporate Governance Committee identifies candidates to serve as directors, develops, recommends and reviews our corporate governance guidelines and assists the Board of Directors in its annual review of the Board of Directors performance.

Compensation Committee

The members of the Compensation Committee are Mr. James M. Loy (Chairman), Mr. Milton Cooper, Mr. Robert S. Gelbard and Mr. B. Boykin Rose.

The Board of Directors has determined that each member of the Compensation Committee is independent pursuant to the listing standards of the NYSE and qualifies as an outside director pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Compensation Committee recommends to the Board of Directors the compensation policies and individual compensation decisions for our executive officers and directors, and ensures that these policies and decisions are consistent with overall corporate performance. The Compensation Committee has the authority to approve all stock option grants and other equity awards to our employees, except for grants and awards for directors and executive officers, for which a recommendation is made to the Board of Directors. The Compensation Committee also reviews executive performance, in conjunction with the CEO, and recommends to the Board of Directors any adjustments to base salaries, the target annual incentive pool, the annual performance objectives for participants, and actual payouts to participants, including the executive officers.

Marketing Committee

On February 9, 2010, the Board of Directors established the Marketing Committee to promote and facilitate management s efforts in international markets. The Marketing Committee is comprised of Mr. Gelbard (Chairman), Mr. Beck, Mr. Cooper and Ms. Mouchly-Weiss.

Special Committee of the Board of Directors

On May 5, 2010 the Board of Directors established a special committee of the Board of Directors to oversee the strategic alternatives process undertaken by the Company and to report to the Board with respect thereto (the Special Committee). Pursuant to the resolutions adopted by the Board of Directors, the authority and duties of the special committee included evaluating and recommending or rejecting potential transactions resulting from the Company s exploration of strategic alternatives (including a potential sale of the Company) and updating the Board of Directors with respect to the committee s deliberations and evaluations regarding the strategic alternatives process. The Special Committee, which has no chairman, was initially comprised of Mr. Nessen, Mr. Lawler, and Mr. Gudis. Mr. Rose was subsequently added as a member.

Independent Advisors

In the performance of their responsibilities the Nominating and Corporate Governance Committee and the Special Committee during 2010 engaged independent legal advisors who reported directly to the respective committees. The terms of retention of these advisors, including the scope of services and compensation arrangements, were determined in the sole discretion of the respective committees.

Item 11. Executive Compensation

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the members of the Compensation Committee are present or past employees or officers of the Company or any of its subsidiaries. No member of the Compensation Committee has had any relationship with us requiring disclosure under Item 404 of Regulation S-K of the Securities Exchange Act of 1934. None of our executive officers currently serves, or in the past fiscal year has served, on the Board of Directors or compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served on our Board of Directors or Compensation Committee.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed the Compensation Discussion and Analysis (CD&A) contained in this Item 11 and discussed the CD&A with management. Based on the Compensation Committee s review, and discussions with management, the Compensation Committee recommended to the Board of Directors, and the Board of Directors has approved, that the CD&A be included in Item 11 of this Amendment.

Respectfully submitted by the Compensation Committee of the Board of Directors.

James M. Loy, Chairman
Milton E. Cooper
Robert S. Gelbard
B. Boykin Rose

The information contained in the foregoing report shall not be deemed to be filed or to be soliciting material with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference in a filing.

EXECUTIVE OFFICERS

COMPENSATION DISCUSSION AND ANALYSIS

This section is intended to explain how and why the Board of Directors made decisions with respect to the 2010 compensation of Robert V. LaPenta, our Chairman, President, and Chief Executive Officer (our *CEO*), James A. DePalma, our Executive Vice President, Chief Financial Officer and Treasurer (our *CFO*) and the three most highly-compensated executive officers other than our CEO and CFO who were serving as executive officers on December 31, 2010: Joseph Atick, Executive Vice President and Chief Strategy Officer; Mark S. Molina, Executive Vice President, Chief Legal Officer and Secretary; and Vincent A. D Angelo, Senior Vice President of Finance and Chief Accounting Officer. The compensation of these five executive officers (the *Named Executive Officers*) is disclosed in the Summary Compensation Table and supplemental tables presented in this Item 11. The CD&A includes information regarding, among other things, our executive compensation philosophy, objectives and policies, as well as a discussion of each element of compensation.

Introduction

In September 2010, the Company announced that it entered into an agreement to be acquired by Safran in a merger transaction providing for stockholders to receive $12.00 per share in cash, for an aggregate enterprise value of approximately $1.6 billion, inclusive of outstanding debt. The closing of the merger was conditioned on, among other things, the prior completion of the sale of the L-1 Intel Business to BAE. The per share price represented a premium of 24 percent over L-1 s closing stock price on the NYSE on September 17, 2010 and a premium of 66 percent over the closing stock price on January 5, 2010, the day prior to L-1 s announcement of its strategic alternatives review process. In February 2011, the Company sold its Intel Business to a subsidiary of BAE Systems, Inc. (the U.S. affiliate of BAE Systems plc) for $295.8 million (including acquired cash), the proceeds of which were used to repay $289.3 million of debt outstanding under the Company s credit agreement.

The Company is the trusted provider of solutions and services that protect and secure personal identities and assets. Together, our portfolio of divisions and subsidiaries the Secure Credentialing Division, Biometrics/Enterprise Access Division and Enrollment Services Division deliver a full range of offerings required for solving the problems associated with managing human identity. Our offerings form the cornerstone for building convenient and secure identification (ID) solutions. Our customers include domestic and international governments, law enforcement and border management agencies, various U.S. military branches, and commercial businesses. The security industry has grown rapidly in recent years and is constantly changing as a result of technological advances, the ever-increasing sophistication of our customers and the demand for comprehensive security solutions. In an effort to maintain our leadership position in identity solutions and to meet ever-changing security needs, it has been an imperative for us to attract and retain executives who are experienced in the security industry and in running growing global businesses. Our long-term success has been dependent on a leadership team with the integrity, skills and dedication necessary to oversee a dynamic organization and the vision to anticipate and respond to emerging market developments. Our executive compensation program is designed to motivate and reward individuals who possess these characteristics.

Summary of Our Executive Compensation Program

Program Objectives

Our executive compensation program is designed to further the Company s annual and long-term business objectives by providing our executives with compensation that is competitive within our industry sector and that continues to offer an incentive to our executives to enhance the value of our shareholders investments. Our annual incentive program links compensation directly to the attainment of both corporate and individual performance objectives established by the Board of Directors on an annual basis. Our long-term incentive awards help to ensure that our executives make a long-term commitment to the growth and profitability of the Company and provide further alignment with stockholder interests.

Compensation-Setting and Review Process

The Board of Directors has sole decision-making authority with respect to all compensation decisions for our executives. The Compensation Committee reviews annually all elements of total direct executive compensation (base salaries, annual incentives, and long-term incentive awards) and makes recommendations regarding any adjustments to base salaries, annual incentive targets and payouts and long-term equity incentive awards to the Board of Directors. The Compensation Committee works with our CEO throughout its deliberations and develops its recommendations with input from our CEO. The recommendations of the Compensation Committee are based on its assessment of the prior year company financial results, competitive market data, and individual performance. In addition, in reviewing the compensation levels for our executives, including the Named Executive Officers, the Compensation Committee considers the Company s ongoing business strategy and growth. The Compensation Committee also considers each individual executive s past performance, experience, importance to our business, internal equity, applicable terms of the executive s employment agreement, prior year adjustments to compensation and historical long-term incentive awards.

Summary of Compensation Actions in 2010 and 2011

The following is a summary of the actions taken in 2010 and prior to the date of this Amendment in 2011 affecting the compensation of the Named Executive Officers. Each of these actions was recommended by the Compensation Committee and approved by the Board of Directors. For a more detailed description of these actions, please refer to the sections titled *Base Salary* , *Annual Incentive Awards* and *Long-Term Equity Incentive Awards* immediately following this summary.

As previously disclosed in our proxy statement for the 2010 Annual Meeting of Stockholders, in February 2010, the Named Executive Officers received annual incentive award payouts under the 2009 Management Incentive Plan. In view of the Company s actual financial results during 2009, which did not meet expectations, and taking into account the CEO s recommendations, the Board of Directors exercised its discretion to approve payouts in amounts that represented 20% (on average) of targeted award levels, reduced from the 50% (on average) of targeted award levels that would have been called for by the plan formula based on actual 2009 performance.

The Named Executive Officers did not receive long-term equity incentive awards in 2010 except for Mr. D Angelo who received a restricted stock award on February 8, 2010 of 25,000 shares, along with a long-term cash incentive award of $100,000. Mr. D Angelo also was granted a $150,000 transaction bonus contingent on and payable upon consummation of the Safran Merger.

The Named Executive Officers did not receive adjustments to annual base salaries in 2009, 2010 or 2011, except for Mr. D Angelo, who received an increase in base salary from $275,000 to $285,000 effective July 1, 2010.

In May 2010, the Board approved target award performance measures under the 2010 Management Incentive Plan, with target award opportunities consistent with the employment arrangements with the Named Executive Officers.

In December 2010, the Board considered and took action required under the Merger Agreement to mitigate or eliminate the possibility of the Company incurring obligations in respect of gross-up payments to Named Executive Officers relating to excise taxes under section 280G of the Internal Revenue Code in connection with certain change in control payments to be made to such officers upon closing of the Safran Merger. In that regard, the Board determined that it would limit the 2010 annual incentive awards for each executive to between 25% and 50% of the targeted amounts and accelerated the payment of 25% of the target incentive award payments to each of Mr. LaPenta, Mr. DePalma and Mr. Molina.

In March 2011, the Compensation Committee recommended, and the Board of Directors approved the final annual incentive award payouts under the 2010 Management Incentive Plan to the Named Executive Officers The approved payouts, including amounts approved in December 2010, represented 41% (on average) of targeted award levels.

Elements of Compensation

The primary compensation elements for our executives, including the Named Executive Officers, are:

- base salary;
- annual incentive awards;
- long-term equity and cash incentive awards; and
- retirement and other benefits

In addition, certain executives, including all of the Named Executive Officers, have arrangements with the Company that provide potential payments and benefits upon termination of employment for a variety of reasons, including following a change in control of the Company. The employment arrangements of certain of the Named Executive Officers were amended in 2009, as discussed below.

Base Salary

Each of Messrs. LaPenta, DePalma, Atick and Molina is party to an employment agreement which specifies the base salary level of each such executive upon the commencement of the term of his agreement. Pursuant to the agreements, as amended in 2009, the Board of Directors may, in its discretion, review and adjust such base salaries on an annual basis. Pursuant to the original terms of these agreements, a reduction in base salary would permit the affected Named Executive Officer to resign for Good Reason and receive certain severance payments and benefits, as described in Potential Payments Following Termination or Change in Control beginning on page 27 in this Item 11. Mr. D Angelo is a party to an offer letter which specifies his salary at the initial time of employment. Collectively the employment agreements and the offer letter are referred to as the employment arrangements . The employment arrangements were originally entered into in connection with the merger of Viisage and Identix in August 2006, to ensure the retention of these individuals services with the combined company.

The annual base salaries earned by the Named Executive Officers during 2010 are reported in the Summary Compensation Table on page 21 in Item 11. There have been no adjustments to base salaries since August of 2008, except in the case of Mr. D Angelo as discussed above.

Annual Incentive Awards

At the beginning of each year, our CEO develops an annual incentive plan for the year for our executives, including the Named Executive Officers and other key employees (the *Management Incentive Plan* or *MIP*). This plan is then submitted to the Compensation Committee for consideration and approval, and in the case of each executive, the approval of the Board of Directors. The MIP serves to attract, retain and motivate our executives by tying potential cash awards to the achievement of a mix of corporate and individual performance objectives approved by the Board of Directors on an annual basis.

Establishment of Target Award Levels

Under the Management Incentive Plan, target award opportunities for plan participants, which are generally expressed as a percentage of base salary earned for the year, are established by our CEO at the time of hire, promotion or transfer to an eligible position. Factors that are considered in determining a target award opportunity for management personnel include prior award target opportunities and actual payouts, the participant s last performance rating, exceptional contributions, the market value of the position, competitive market target award opportunities for the position, job functions, internal pay equity, subsidiary or division performance and requirements of any existing employment agreement.

The annual incentive target award opportunities for the Named Executive Officers are specified in their individual employment arrangements. For 2010 these target award opportunities were 75% of base salary for our CEO, 60% of base salary for each of Messrs. Atick, DePalma and Molina and 50% for Mr. D Angelo.

The target award opportunities reflected in the employment arrangements were based on the results of executive compensation market reviews conducted by the Compensation Committee s independent third-party compensation consultant, PRM Consulting Group (*PRM*), commencing in July of 2009. This study is described below under the heading *Competitive Market Analysis* . Based on its review of the market comparable compensation data, including published survey sources containing functional position matches of comparable scope to the Named Executive

Officers and compensation data from the Peer Group, the Compensation Committee noted that the target annual incentive award opportunities for the Named Executive Officers ranked below the 50th percentile reflected by the published survey and Peer Group data in the aggregate. In addition, it was noted that the market data showed that the target annual incentive award opportunities varied by the Named Executive Officer s position, particularly as between the CEO and the other Named Executive Officers, while the Company did not provide targets which vary based on the rank of the executive. In formulating its recommended adjustments, the Compensation Committee considered each Named Executive Officer s market comparables as well as individuals role in the Company s ongoing business strategy and growth. After the adjustment to the target awards opportunities, the Compensation Committee noted that the annual incentive opportunity for each of the Named

Executive Officers fell between the 50th and 75th percentiles of the market comparable survey data for each individual s position, based on the Peer Group and the other published surveys utilized by the Compensation Committee. In approving the adjustments, the Board of Directors believed that they were appropriate in bringing the target annual incentive award opportunities to a market competitive level consistent with the Company s compensation philosophy.

Target Award Performance Measures for 2010

Award payouts under the Management Incentive Plan are based on the Company s actual performance for the year measured against one or more corporate objectives (as determined by the Compensation Committee and approved by the Board of Directors) and individual performance for the year measured against one or more individual strategic objectives (as deemed achieved by our CEO, except in the case of his own performance, and approved by the Board of Directors). While the corporate objectives are the same for the majority of all plan participants, they are weighted differently for our executives than for all other participants. The Company performance components for the Named Executive Officers are set forth in the table below, reflecting the desire of the Compensation Committee and the Board of Directors to place greater emphasis on the achievement of the Company s financial objectives for the year. The individual performance objectives for each Named Executive Officer consisted of strategic goals tailored to the individual executive s level and function within the Company.

Management Incentive Plan Performance Components

Component	**LaPenta**	**Other Named Executive Officers**
Revenue	37.5%	30%
Adjusted EBITDA	37.5%	30%
Individual Strategic Goals	25%	30%
Management Discretion		10%
Total	100%	100%

In May 2010, the Compensation Committee recommended and the Board of Directors approved the Company performance component for the Management Incentive Plan based on the achievement of objectives relative to pre-established revenue and Adjusted EBITDA (as defined below) thresholds. In addition the plan incorporated individual strategic goals described in detail below and a component of management discretion. The table above sets forth the relative weighting of these measures for the target annual award opportunities for the Named Executive Officers. These components were selected because of their overall importance to the Company s success and were weighted based on their relative importance in contributing to the overall success of the Company based on the best judgments of management, the Compensation Committee and the Board of Directors. The Company s strategy called for the achievement of stretch revenue targets with aggressive earnings goals without jeopardizing strategic considerations, such as teamwork between the divisions. This resulted in weighting of the Revenue, Adjusted EBITDA, and individual strategic goals as set forth above. Due to the difficulty in anticipating future events, and to take into account individual performance outcomes that can vary greatly, the Compensation Committee and the Board of Directors agreed that a portion of the total annual incentive award opportunity be left to management discretion based on qualitative and quantitative factors that can vary by position and individual.

In the case of the Named Executive Officers, the revenue and Adjusted EBIDTA measures were based on consolidated Company revenue and earnings before interest, income taxes, depreciation and amortization and after adjustment for stock-based compensation expense (*Adjusted EBITDA*), excluding the impact of potential acquisitions that have been finalized in 2010. For the year ended December 31, 2010, the revenue target was set at $740 million and the Adjusted EBITDA target was set at $110 million. The Compensation Committee and the Board of Directors set the targets at levels deemed to be aggressive, requiring great effort, particularly in view of the uncertain economic outlook at the beginning of 2010. These amounts are derived from the Company s planning and budgeting process and were within 1% of the Company s internal forecasts.

Generally, a 90% threshold performance level is required for any payout under the revenue and Adjusted EBITDA components of the MIP. If this level is not achieved with respect to the revenue and Adjusted EBITDA components, it is still possible to earn an award under the other components of the plan, but only to the degree represented by the relative weight of that component and the degree of achievement. Where the threshold is exceeded, then the payout will increase at designated intervals as the level of performance increases. Meeting the target performance levels for a performance component will result in a target payout, while exceeding the target performance levels may result in a greater payout, subject to the approval of the Compensation Committee and, in the case of our executives, the Board of Directors. Generally the MIP guidelines provide that in no case will a payout exceed 130% of the target payout amount, unless our CEO recommends and the Compensation Committee (or the Board of Directors, as applicable) approves a higher payout in recognition of exceptional performance.

The table below sets forth the potential payout levels for each level of revenue, Adjusted EBITDA and individual strategic goals achievement under the 2010 MIP, as established by the Board of Directors in May 2010. Note that if the achievement of financial targets is less than 90% no award will be paid on the Revenue and Adjusted EBITDA components.

Performance Level:	**50% - 89% of Target**	**90% - 94% of Target**	**95% - 99% of Target**	**100% - 130% of Target**
Revenue	None	50% of Target Award	75% of Target Award	100% - 130% of Target Award
Adjusted EBITDA	None	50% of Target Award	75% of Target Award	100% - 130% of Target Award
Individual Strategic Goals	Discretionary up to 50%	0-50% of Target Award	0 - 75% of Target Award	100% - 130% of Target Award

The threshold performance levels were selected as the minimum acceptable result for which an incentive award should be paid. As is typical in the design of these plans, this threshold performance level was set below the target performance level to avoid an all or nothing outcome that ignored the substantial effort required to achieve the target performance level. The Board of Directors believed that having an all or nothing outcome can encourage excessive risk-taking and can result in a disincentive that undermines the ultimate purpose of the plan.

The individual performance component for the Management Incentive Plan was based on the achievement of pre-established individual strategic goals reflecting corporate or business unit objectives. We believe that this approach better aligns individual performance with our corporate, subsidiary and divisional goals for the year. In May 2010, the Compensation Committee recommended and the Board of Directors approved the following individual strategic goals for each of the Named Executive Officers.

Mr. LaPenta set an appropriate tone at the top for the Company by building and executing a world-class global sales and marketing organization, manage strong relationships with the Board of Directors, maintain a world-class senior management team and establish a succession plan for top management.

Mr. DePalma assist in the assessment of strategic alternatives, restructure / amend debt facility as market conditions dictate and strengthen divisional financial organizations.

Dr. Atick develop the Middle East and India as a strategic zone. Develop the eGate campaign in Europe.

Mr. Molina ensure timely and effective legal support throughout the Company, lead strategy and tactics on the Company s litigation portfolio, effectively manage legal budget, lead legal efforts on strategic alternative transactions.

Mr. D Angelo lead preparation and ensure timely filings with SEC, lead financial due diligence efforts related to strategic alternatives, monitor and support accounting resources throughout the Company. .

The individual strategic goals for the Named Executive Officers were intended to balance both quantitative metrics and qualitative goals that would require exceptional performance to attain the full bonus target.

Award Payouts

Final decisions on award payouts are generally made after the end of the year based on a review of corporate and individual performance against the pre-established corporate and individual objectives. However, in December 2010 at a meeting to consider the Company s obligation under the Merger Agreement to address the mitigation or elimination of the impact of Section 280G, the Board took certain action related to the 2011 payouts as further discussed below. The CEO made a recommendation for the 2010 awards that would have exceeded the formula set forth in the Management Incentive Plan to take into account the efforts of the individuals in connection with the strategic alternatives process. The Board of Directors resolved that, following the end of 2010, it would assess, determine and pay, in the ordinary course 2010 incentive award amounts payable to each executive pursuant to the Company s 2010 incentive award plan, provided that total 2010 incentive award amounts, in the case of each executive, shall not be less than, in the aggregate, 25% of the executive s 2010 target annual incentive award nor exceed, in the aggregate, 50% of the executive s 2010 target annual incentive award.

In February 2011, our CEO formulated his recommendations to the Compensation Committee consistent with the limitations established by the Board in December 2010 which reflected lower awards than he had recommended in December 2010 with respect to proposed annual incentive award payouts under the 2010 Management Incentive Plan. In developing his recommendations, our CEO reviewed the Company s performance against the corporate revenue and Adjusted EBITDA objectives for the year, and assessed each executive s performance against his individual strategic goals. Our CEO determined, and the Compensation Committee concurred, based on the Company s financial results (without regard to the businesses acquired by the Company in 2010), that the Company achieved more than 90% of its consolidated revenue objectives and less than 90% of its consolidated Adjusted EBITDA objective. Based on this financial performance, there would be a potential payment under the revenue component of 50% of the target award under the Revenue component; however, no award would be payable under the Adjusted EBITDA component. In addition, our CEO determined that the Named Executive Officers (other than himself) had met 100% of their individual strategic goals. In determining recommended award levels, the Compensation Committee evaluated each Named Executive Officer performance against the Board approved Management Incentive Plan objectives. The Compensation Committee recommended to the Board awards to the Named Executive Officers which on average represented 41% of targeted levels.

Each Employment Arrangement of the Named Executive Officers (other than Mr. D Angelo s arrangement) provides for an additional payment to compensate the executive officer for any excise tax incurred by such executive officer under Section 4999 of the Code. In connection with the Merger Agreement, the Company agreed to take all actions reasonably requested by Safran, on or prior to December 31, 2010, as are necessary to reduce and/or avoid the application of Section 280G of the Code to the payments to be made to such executive officers. Pursuant to such obligations, our Board of Directors took action prior to the end of 2010 to (i) accelerate payment to Mr. LaPenta, Mr. DePalma and Mr. Molina, a portion of his incentive award for services in 2010 in an amount equal to 25% of the executive s 2010 target annual incentive award, and (ii) accelerated the vesting of 12,000 and 5,000 previously awarded restricted shares for Mr. LaPenta and Mr. DePalma, respectively, which shares would, in the ordinary course, have vested in February 2011. The impact of the accelerations was to include in 2010 taxable income that otherwise would have been reported in 2011.

The payouts made to the Named Executive Officers in the table below reflect the Compensation Committee s recommendations and the Board s determinations.

2010 Annual Incentive Awards Paid

Name	Total Paid	Cash ($)	Stock Units (#)	Options (#)
Robert V. LaPenta	$206,062	$206,062	0	0
James A. DePalma	$106,650	$106,650	0	0
Joseph Atick	$108,000	$108,000	0	0
Mark S. Molina	$ 93,150	$ 93,150	0	0
Vincent A. D Angelo	$ 63,000	$ 63,000	0	0

Long-Term Equity Incentive Awards

Historically, prior to 2009, our long-term equity incentive awards have primarily consisted of stock options. We believe that the upside potential in stock options is attractive to our executives and other key employees and that an option s greater reward for performance and growth orientation compared to other forms of equity compensation is well-aligned with the interests of our stockholders. By providing our executives and other key employees with a direct stake in the Company s success, these incentives are intended to assure a closer identification of their interests with those of our stockholders, stimulate their efforts on the Company s behalf and strengthen their desire to remain with the Company. Typically, recommendations for long-term equity incentive awards for our executives, including the Named Executive Officers, are made to the Board of Directors by the Compensation Committee taking into account the recommendations of our CEO, as appropriate. The Board of Directors is required to approve all stock option grants and other equity awards to executives and directors.

Due to the Compensation Committee s concerns about the uncertain business environment and, as the year unfolded, the deteriorating stock market, we did not make any long-term incentive awards to our executives or other key employees during 2008 with respect to 2007 performance or otherwise (except for grants to new hires and, in the case of certain Named Executive Officers, awards made in lieu of all or a portion of otherwise earned cash bonus or annual base-pay amounts). Further, the decline in the market price of the Company s common stock over the course of 2008 led management and the Board of Directors to reconsider the Company s equity awards program and strategy.

In 2009, in conjunction with the extension of the employment terms for the Named Executive Officers (other than Mr. D Angelo), and based on a competitive market review of published survey and Peer Group data provided by PRM, the Compensation Committee recommended, and the Board approved an additional award of stock options and restricted share awards to the Named Executive Officers to fully convey the Board of Director s confidence and support for the Named Executive Officers on the date of renewal of their employment agreements, but with the stipulation that these awards would be in lieu of any potential ordinary course awards in 2010. The decision to grant restricted share awards was based on the Board of Directors desire, in an uncertain economic climate, to balance the upside potential of stock options (since an executive will realize value from an option only if the market price of the Company s common stock appreciates and stays above the option s exercise price for a sustained period) with the attractions of a full value share award (since restricted shares, once vested, have an intrinsic value equal to the market price of the Company s common stock). The Compensation Committee and the Board of Directors decided that an equal mix of stock options and restricted shares would be an appropriate way to both motivate these individuals and deliver value to them through a competitive compensation package, regardless of future market conditions.

In February 2010, the Compensation Committee approved a restricted stock award to Mr. D Angelo of 25,000 shares with an aggregate grant date fair value equal to $183,500, as well as a long-term cash incentive award of $100,000. Long-term cash incentive awards were granted to Mr. D Angelo and certain non-executive employees in lieu of stock option awards and such awards vest annually over three years. The awards were approved by the Compensation Committee and, with respect to Mr. D Angelo, by the Board of Directors. No equity incentive awards were granted to the other Named Executive Officers in 2010.

The Merger Agreement with Safran provides for the accelerated vesting of all outstanding equity awards upon consummation of the Merger. If the closing of the merger were not to occur, both the stock options and restricted share awards will continue to vest based on continued service to the Company over four years in equal annual 25% increments. The Compensation Committee and the Board of Directors believe that these vesting requirements help to create and maintain an environment that motivates retention and longevity of our executives and other key employees.

Competitive Market Analysis

In 2009, the Compensation Committee engaged PRM to provide a competitive market analysis of the compensation of the Named Executive Officers. The competitive market analysis was based on data gathered from published surveys of executive compensation and the compensation of executives in comparable positions at a group of peer companies (the *Peer Group*). In 2009, the Peer Group, which consisted of companies with businesses that compete in the same talent market as the Company, including primarily companies in the technology and government contracting industries and with revenues ranging from approximately 50% to 200% of the Company s total revenue, was as follows:

Ansys, Inc.

Bruker Corporation

Checkpoint Systems, Inc.

Citrix Systems, Inc.

Coherent, Inc.

Daktronics, Inc.

Flir Systems, Inc.

Lawson Software, Inc.

National Instruments Corporation

NCI, Inc.

Nuance Communications, Inc.

OSI Systems, Inc.

Parametric Technology Corporation

Quest Software, Inc.

Rofin Sinar Technologies, Inc.

Tibco Software, Inc.

Other published surveys were consulted for a broader sample of data on government contractors and other companies of similar size in the same industry niches, including the following:

Human Resource Association of the National Capital Area and Professional Services Council, Government Contractors Compensation Survey Report

Mercer, US Benchmark Database Executive

Radford, Executive Survey Compensation Report

Washington Technical Professional Forum, Compensation Survey Report

Watson Wyatt, Survey Report on Top Management Compensation

Advisors

PRM attended Compensation Committee meetings at the invitation of the Committee s Chairman to present the results of the competitive market analysis and to be available, as necessary, to advise the Compensation Committee with respect to other executive compensation actions taken by the Committee in 2009 and 2010. PRM did not provide any executive compensation services, pension consulting services or human resource outsourcing services directly to the Company or management in 2009, and will not provide any such services other than as directed or approved by the Compensation Committee. PRM fees during 2010 aggregated $45,454.

Equity Award Grant Practices

Stock options and other equity awards are granted under the L-1 Identity Solutions, Inc. 2002, 2008 and 2010 Long-Term Incentive Plan. The 2010 Long-Term Incentive Plan was approved by the shareholders on May 5, 2010 and no awards have been granted since its inception. Generally, stock options and other equity awards are granted to newly-hired employees on the later of either the first day of employment with the Company, or the date the option or award is approved by the Compensation Committee or the Board of Directors, as applicable. Stock options and other equity awards are granted to continuing executives, our other employees and directors on a regular annual basis. In the case of directors, stock options and other equity awards are granted when a new director joins the Board of Directors and then automatically thereafter on an annual basis on the first business day of each calendar year as part of the directors total compensation for the year. All awards are effective on the date of approval by the Compensation Committee or the Board of Directors, as applicable, except for annual directors awards which are deemed effective automatically on the first business day of each calendar year.

Stock options and other equity awards are considered for grant in accordance with the Company s Stock Option Grant and Administration Policy as approved by the Board of Directors in December 2006. Recommendations for grants and awards to executives, including the Named Executive Officers, and directors are made to the Board of Directors by the Compensation Committee taking into account management recommendations, as appropriate. The Board of Directors is required to approve all stock option grants and other equity awards to executives and directors. The Board of Directors retains the discretion to make additional awards to executives at other times in connection with the initial hiring of a new executive, for retention purposes or otherwise.

Each stock option grant and other equity award must specify all of the material terms of the grant or award, including the date of grant, exercise price, vesting schedule, term and any other terms or conditions that the Compensation Committee or the Board of Directors deems appropriate. Option grants made to our executives, or any of our other employees or directors, are made with an exercise price equal to the closing sales price of a share of the Company s common stock on the date of grant. Neither the Board of Directors nor the Compensation Committee can delegate its authority or responsibility with respect to stock option grants to any other subcommittee of the Board of Directors or member of management.

The grant date fair value of the long-term incentive awards made to the Named Executive Officers in 2009 is reported in the Summary Compensation Table and the Grants of Plan-Based Awards Table on pages 21 and 22, respectively, in this Item 11.

Retirement and Other Benefits

We provide a Section 401(k) Retirement Savings Plan, a tax-qualified defined contribution plan, to our executives and employees, including the Named Executive Officers. This plan permits participants to make pre-tax contributions of up to 90% of their eligible compensation, not to exceed the applicable statutory dollar limitations of $16,500 and $22,500 for individuals younger than 50 years of age and age 50 and older, respectively. In addition, we may make discretionary contributions to the plan in any year, up to certain limits. Historically, the Company has provided a matching contribution equal to 100% of the first 2% and 50% of the next 4% of employee elective contributions; in effect, those employees who make an elective contribution equal to 6% or more receive a 4% matching contribution, subject to the aforementioned IRS limitations. In 2010, we continued to provide a matching contribution in shares of Company s common stock based on this formula. In connection with the Merger Agreement with Safran we ceased making contributions in common stock effective January 1, 2011. The Company s matching contributions to the accounts of the Named Executive Officers are disclosed in the Summary Compensation Table on page 21 of this Item 11.

Additional benefits received by our executives, including the Named Executive Officers, include health care benefits, dental, vision, disability and life insurance coverage. These benefits are provided on the same basis as to all of our employees. The Named Executive Officers do not receive any perquisites or other personal benefits except that our executives are eligible for an executive class life insurance benefit of $1 million (of which $700,000 is guaranteed). This benefit became available on January 1, 2007. Our standard life insurance benefit for our employees generally provides coverage in an amount equal to two times an employee s base salary, up to a maximum of $500,000.

Under the terms of their respective employment agreements, both our CEO and CFO have elected to defer the receipt of all or any portion of their annual incentive award payouts if those awards are satisfied in shares of the Company s common stock. This arrangement is provided to permit these executives the flexibility to defer the obligation to pay taxes on certain elements of their compensation while also potentially receiving earnings on deferred amounts. We believe that this arrangement is an important retention tool, as many of the companies with which we compete for executive talent provide similar plans or arrangements for their senior employees.

Employment Arrangements with Our Named Executive Officers

The Company has employment agreements with each of the Named Executive Officers other than Mr. D Angelo who has an offer letter. The employment arrange