L-1 IDENTITY SOLUTIONS, INC.
Form DEFM14A
January 03, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement

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

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

L-1 IDENTITY SOLUTIONS, INC.

(Name of Registrant as Specified In Its Charter)
N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)
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o No fee required.

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(1) Amount Previously Paid:

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(4) Date Filed:

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L-1 IDENTITY SOLUTIONS, INC.
177 Broad Street
Stamford, Connecticut 06901

Dear Stockholder:

We cordially invite you to attend the special meeting of stockholders of L-1 Identity Solutions, Inc. at the Hyatt Regency-Greenwich hotel located at 1800 E Putnam Avenue, Old Greenwich, CT, on February 3, 2011 at 2:00 p.m. Eastern Time.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of September 19, 2010 (as may be amended from time to time), by and among L-1, Safran SA, a French société anonyme, and Laser Acquisition Sub Inc., a Delaware corporation and a wholly owned subsidiary of Safran, and to approve the merger contemplated by the merger agreement. Pursuant to the merger agreement, Laser Acquisition Sub will merge with and into L-1, with L-1 surviving the merger and becoming a wholly owned subsidiary of Safran. Further information about the merger and the merger agreement is provided in the proxy statement accompanying this letter.

If the merger is completed, you will be entitled to receive $12.00 in cash, without interest and less any applicable withholding taxes, for each share of L-1 common stock you own as of the date of the merger (unless you have properly exercised your appraisal rights with respect to the merger).

After careful consideration, our board of directors, by unanimous vote, approved and declared advisable the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of L-1 s stockholders. **Accordingly, our board of directors recommends that you vote FOR the adoption of the merger agreement and approval of the merger.**

The proxy statement accompanying this letter provides you with detailed information about the proposed merger and the special meeting of stockholders to vote on the adoption of the merger agreement and approval of the merger. We encourage you to read the entire proxy statement and the merger agreement carefully. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement. You may also obtain more information about L-1 from documents we have filed with the Securities and Exchange Commission.

Your vote is very important, regardless of the number of shares of stock that you own. The merger cannot be completed unless the merger agreement is adopted and the merger is approved by the affirmative vote (in person or by proxy) of holders of at least a majority of the outstanding shares of our common stock entitled to vote at the special meeting. If you fail to vote on the proposal to adopt the merger agreement and approve the merger, the effect will be the same as a vote AGAINST the adoption of the merger agreement and approval of the merger.

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED, EVEN IF YOU DO NOT PLAN ON ATTENDING THE SPECIAL MEETING IN PERSON. ACCORDINGLY, WE URGE YOU TO VOTE BY COMPLETING, SIGNING, DATING AND PROMPTLY RETURNING THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED, OR YOU MAY VOTE THROUGH THE INTERNET OR BY TELEPHONE AS DIRECTED ON THE ENCLOSED PROXY CARD. IF YOU RECEIVE MORE THAN ONE PROXY CARD BECAUSE YOU OWN SHARES THAT ARE REGISTERED DIFFERENTLY, PLEASE VOTE ALL

OF YOUR SHARES SHOWN ON ALL OF YOUR PROXY CARDS.

On behalf of your board of directors, thank you for your continued support.

Sincerely,

Robert V. LaPenta
Chairman of the Board, President and
Chief Executive Officer

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L-1 IDENTITY SOLUTIONS, INC.
177 Broad Street
Stamford, Connecticut 06901

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON FEBRUARY 3, 2011

To Stockholders of L-1 Identity Solutions, Inc.:

Notice is hereby given that a special meeting of stockholders of L-1 Identity Solutions, Inc., a Delaware corporation, will be held at the Hyatt Regency-Greenwich hotel located at 1800 E Putnam Avenue, Old Greenwich, CT, on February 3, 2011 at 2:00 p.m. Eastern Time, for the following purposes:

1. to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of September 19, 2010 (as may be amended from time to time), by and among L-1, Safran SA, a French société anonyme, and Laser Acquisition Sub Inc., a Delaware corporation and a wholly owned subsidiary of Safran, and to approve the merger contemplated by the merger agreement. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement; and

2. to consider and vote upon a proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement and approve the merger.

Only stockholders of record of our common stock at the close of business on December 27, 2010, the record date for the special meeting, are entitled to notice of and to vote at the special meeting and at any adjournment or postponement of the special meeting. A list of stockholders entitled to vote at the special meeting will be available for inspection by stockholders of record during business hours at L-1 s executive offices at 177 Broad Street, Stamford, CT 06901 for ten days prior to the date of the special meeting and will also be available at the special meeting.

Your vote is very important, regardless of the number of shares of stock that you own. The adoption of the merger agreement and approval of the merger requires the affirmative vote (in person or by proxy) of holders of at least a majority of the outstanding shares of our common stock entitled to vote at the special meeting. The proposal to adjourn or postpone the meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of the holders of a majority of the voting power present and entitled to vote at the special meeting, whether or not a quorum is present.

Whether or not you plan to attend the special meeting, we urge you to vote your shares by completing, signing, dating and returning the accompanying proxy card as promptly as possible in the postage-paid envelope or to submit your proxy by telephone or the Internet prior to the special meeting to ensure that your shares will be represented at the special meeting. If you sign and return your proxy card without indicating how you wish to vote, your proxy will be voted FOR the adoption of the merger agreement and approval of the merger and FOR the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the merger agreement and approve the merger at the time of the special meeting. If you fail to return your proxy card or fail to submit your proxy by telephone or the Internet and do not vote in person at the special meeting, it will have the same effect as a vote AGAINST the adoption of the merger agreement and approval of the merger, but will not affect the outcome of the vote regarding any adjournment or postponement proposal. Any stockholder attending the special meeting may vote in person even if he or she has already voted by proxy card, telephone or Internet; such

vote by ballot will revoke any proxy previously submitted. If you hold your shares through a bank, broker or other custodian, you must provide a legal proxy issued from such bank, broker or other custodian in order to vote your shares in person at the special meeting.

The Company s stockholders who do not vote in favor of the adoption of the merger agreement and approval of the merger will have the right to seek appraisal of the fair value of their shares of the Company s common stock if the merger contemplated by the merger agreement is completed, but only if they submit a written demand for appraisal of their shares before the taking of the vote on the merger agreement at the special meeting and they comply with all requirements of Delaware law, which are summarized in greater detail in the accompanying proxy statement.

After careful consideration, our board of directors, by unanimous vote, has approved and declared advisable the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and has determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are advisable and in the best interests of the Company s stockholders.

OUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT AND APPROVAL OF THE MERGER AND FOR THE PROPOSAL TO ADJOURN OR POSTPONE THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE INSUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING TO ADOPT THE MERGER AGREEMENT AND APPROVE THE MERGER.

The accompanying proxy statement is first being mailed to stockholders of the Company on or about January 3, 2011.

By Order of the Board of Directors,

Mark S. Molina
Executive Vice President, Chief Legal Officer and Secretary

January 3, 2011

PLEASE DO NOT SEND YOUR STOCK CERTIFICATES AT THIS TIME. IF THE MERGER IS COMPLETED, YOU WILL BE SENT INSTRUCTIONS REGARDING THE SURRENDER OF YOUR STOCK CERTIFICATES.

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PROXY STATEMENT
SUMMARY

The following summary highlights selected information in this proxy statement and may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that topic. See the section of this proxy statement entitled Where You Can Find More Information beginning on page 99.

Unless otherwise indicated or unless the context requires otherwise, all references in this proxy statement to the Company, L-1, we, our and us refer to L-1 Identity Solutions, Inc. and its subsidiaries; all references to the Merger Agreement refer to the Agreement and Plan of Merger, dated as of September 19, 2010, by and among the Company, Safran and Merger Sub, as may be amended from time to time, a copy of which is attached as Annex A to this proxy statement; all references to the Merger refer to the merger contemplated by the Merger Agreement; and all references to the SEC refer to the Securities and Exchange Commission.

Overview of the Merger and the BAE Transaction (pages 73 and 69)

On September 19, 2010, we entered into the Agreement and Plan of Merger by and among the Company, Safran SA (which we refer to in this proxy statement as Safran) and Laser Acquisition Sub Inc., a wholly owned subsidiary of Safran (which we refer to in this proxy statement as Merger Sub). Upon the terms and subject to the conditions of the Merger Agreement, Merger Sub will merge with and into L-1, and L-1 will continue as the surviving corporation and a wholly owned subsidiary of Safran. Upon consummation of the Merger, holders of our common stock will be entitled to receive the per share merger consideration of $12.00 in cash, without interest and less applicable withholding taxes, for each share of common stock issued and outstanding immediately prior to the effective time of the Merger. The Merger Agreement, which is the principal document governing the Merger, is attached as Annex A to this proxy statement, and we encourage you to read the Merger Agreement in its entirety.

In connection with the proposed merger with Safran, on September 19, 2010, we entered into the Purchase Agreement (which we refer to in this proxy statement as the BAE Agreement) by and between L-1 and BAE Systems Information Solutions, Inc. (which we refer to in this proxy statement as BAE), a Virginia corporation and subsidiary of BAE Systems, Inc. (the U.S. affiliate of BAE Systems plc). Upon the terms and subject to the conditions of the BAE Agreement, BAE will acquire L-1 s intelligence services business group (in this proxy statement we refer to the sale of the Company s intelligence services business pursuant to the terms and subject to the conditions of the BAE Agreement as the BAE Transaction). The closing of the Merger is conditioned on the prior consummation of the BAE Transaction; however, completion of the BAE Transaction is not conditioned on the consummation of the Merger and the BAE Transaction may be completed even if the Merger is not consummated or the Merger Agreement is terminated. The BAE Agreement, which is the principal document governing the BAE Transaction, is attached as Annex B to this proxy statement and we encourage you to read the BAE Agreement in its entirety.

The Parties to the Merger (page 20)

L-1 Identity Solutions, Inc.

L-1 Identity Solutions, Inc. protects and secures personal identities and assets. Its identity solutions business group is comprised of the Biometric / Enterprise Access, Secure Credentialing and Enrollment Services divisions. Its intelligence services business group is comprised of McClendon, LLC, SpecTal, LLC and Advanced Concepts, Inc.

L-1 has more than 2,200 employees worldwide and is headquartered in Stamford, Connecticut. Our common stock is listed on the New York Stock Exchange under the symbol ID .

Safran SA

Safran SA is a France-based, international high-technology group with three core businesses: Aerospace (propulsion and equipment), Defense and Security. Operating worldwide, Safran has 55,000 employees. Safran is listed on the NYSE Euronext Paris under the symbol SAF .

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Laser Acquisition Sub Inc.

Laser Acquisition Sub Inc. is a Delaware corporation and a wholly owned subsidiary of Safran. It was formed solely for the purpose of effecting the Merger and the transactions contemplated by the Merger Agreement and has not engaged in any business except in furtherance of this purpose and activities incident to its formation.

The Merger and the Closing (page 73)

The Agreement and Plan of Merger, dated as of September 19, 2010, by and among L-1, Safran and Merger Sub, provides that, if the Merger Agreement is adopted and the Merger is approved by our stockholders and the other conditions to closing are satisfied or waived, Merger Sub will merge with and into L-1, and L-1 will continue as the surviving corporation and a wholly owned subsidiary of Safran. Upon completion of the Merger, each share of L-1 common stock issued and outstanding immediately prior to the effective time of the Merger (other than shares held by (i) L-1 as treasury stock, (ii) Safran, Merger Sub, or L-1 s subsidiaries and (iii) stockholders, if any, who properly exercise their appraisal rights under Delaware law) will be converted into the right to receive $12.00 in cash, without interest and less any applicable withholding taxes. As a result of the Merger, the Company will cease to be an independent, publicly-traded company, and you will not own any shares of the surviving corporation.

The Special Meeting (page 21)

Date, Time and Place (page 21)

The special meeting of our stockholders will be held at the Hyatt Regency-Greenwich hotel located at 1800 E Putnam Avenue, Old Greenwich, CT, on February 3, 2011 at 2:00 p.m. Eastern Time.

Purpose of the Special Meeting (page 21)

At the special meeting, you will be asked to consider and vote upon a proposal to (1) adopt the Merger Agreement and approve the Merger, pursuant to which Merger Sub will merge with and into L-1, with L-1 continuing as the surviving corporation and a wholly owned subsidiary of Safran; and (2) approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the Merger Agreement and approve the Merger.

Record Date and Quorum (page 21)

You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on December 27, 2010, the record date for the special meeting. You will have one vote for each share of our common stock that you owned on the record date. As of December 27, 2010, there were 93,623,464 shares of our common stock outstanding and entitled to vote at the special meeting.

The presence at the special meeting in person or by proxy of the holders of a majority of the issued and outstanding shares of our capital stock entitled to vote at the special meeting as of the close of business on the record date will constitute a quorum for purposes of considering the proposals at the special meeting.

Vote Required for Approval (page 21)

The adoption of the Merger Agreement and approval of the Merger requires the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote. A failure to vote your shares of common stock, an abstention or a broker non-vote will have the same effect as voting AGAINST the adoption of the Merger

Agreement and approval of the Merger at the special meeting. A broker non-vote occurs on an item when a broker is not permitted to vote on that item without instructions from the beneficial owner of the shares and no instructions are given.

Approval of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is present. A failure to attend the special meeting and vote your shares of common stock or failure to submit a proxy or a broker

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non-vote will have no effect on the outcome of any vote to adjourn or postpone the special meeting. An abstention will have the same effect as voting AGAINST any proposal to adjourn or postpone the special meeting.

Contemporaneously with the execution of the Merger Agreement, on September 19, 2010, Robert V. LaPenta, Chairman, President and Chief Executive Officer of the Company, and Aston Capital Partners L.P. (which we refer to in this proxy statement as Aston), a private investment fund that is indirectly controlled by Mr. LaPenta and other executive officers of the Company, entered into a voting and support agreement with Safran and Merger Sub. Pursuant to the voting and support agreement, Mr. LaPenta and Aston agreed, among other things, to vote their shares of our common stock in favor of the adoption of the Merger Agreement and approval of the Merger, unless our board of directors changes its recommendation of the Merger to stockholders (in which case, Mr. LaPenta and Aston may vote for or against the Merger). As of December 27, 2010, the record date for the special meeting, Mr. LaPenta and Aston together beneficially owned approximately 14.59% of our outstanding common stock. See the section of this proxy statement entitled *The Merger Interests of Certain Persons in the Merger Relationships with Aston and Stone Key* for a discussion regarding certain other relationships with Aston.

Voting and Proxies (page 22)

Any stockholder of record entitled to vote at the special meeting may submit a proxy by (i) returning the enclosed proxy card by mail, (ii) using the telephone number printed on your proxy card, (iii) using the Internet voting instructions printed on your proxy card or (iv) appearing at the special meeting and voting in person. If no instructions are indicated on your signed proxy card, your shares will be voted **FOR** the adoption of the Merger Agreement and the approval of the Merger and **FOR** adjournment or postponement of the meeting, if necessary or appropriate, to solicit additional proxies.

If your shares of common stock are held in street name by your broker, bank or other nominee, you should instruct your broker, bank or other nominee on how to vote your shares of common stock using the instructions provided by your broker, bank or other nominee. If your shares of common stock are held in street name and you do not provide your broker, bank or other nominee with instructions, your shares of common stock will not be voted and that will have the same effect as voting **AGAINST** the adoption of the Merger Agreement but will have no effect on the outcome of any vote to adjourn or postpone the special meeting.

Revocability of Proxy (page 22)

If you hold your shares in your name as a stockholder of record, you have the right to change or revoke your proxy at any time before the vote taken at the special meeting by:

- delivering to our Corporate Secretary, at 177 Broad Street, Stamford, Connecticut 06901, a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked;
- attending the special meeting and voting in person (your attendance at the meeting will not, by itself, change or revoke your proxy you must vote in person at the meeting to revoke a prior proxy);
- completing, executing and delivering a later dated proxy card; or
- voting again at a later time by telephone or the Internet prior to the time at which the telephone and Internet voting facilities close by following the procedures applicable to those methods of voting.

If you hold your shares through a broker, bank or other nominee, you have the right to change or revoke your proxy at any time before the vote taken at the special meeting by following the directions received from your broker, bank or

other nominee to change or revoke those instructions.

Ownership of Common Stock by Directors and Executive Officers (page 95)

As of December 27, 2010, the record date for the special meeting, our directors and executive officers beneficially owned, and had the right to vote, in the aggregate, 16,028,257 shares of our common stock (which excludes shares that may be acquired by such persons pursuant to stock option grants but includes shares held by Aston that are deemed to be held beneficially by certain directors and executive officers), which represented approximately 17.12% of the outstanding shares of our common stock as of such date. Our current directors and

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executive officers have informed us that they intend to vote all their shares of common stock **FOR** the adoption of the Merger Agreement and approval of the Merger and **FOR** the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

Treatment of Stock Options, Other Equity-Based Awards and Long-Term Cash Awards (page 75)

Immediately prior to the consummation of the Merger, all outstanding and unvested stock options, restricted stock awards and long-term cash awards will become vested, and upon consummation of the Merger (i) each outstanding stock option will be cancelled in exchange for the right to receive a cash payment equal to the excess, if any, of the $12.00 per share merger consideration over the exercise price of the option, less any applicable withholding taxes, (ii) each outstanding restricted stock award shall be treated in the same manner as all other shares of our common stock in the Merger, (iii) each outstanding deferred stock unit will be cancelled and the holder will be entitled to receive a cash payment equal to the $12.00 per share merger consideration, less any applicable withholding taxes, and (iv) payment will be made with respect to each long-term cash award no later than 10 business days following the consummation of the Merger.

Reasons for the Merger; Recommendation of Our Board of Directors (page 37)

After careful consideration, our board of directors, by unanimous vote and upon the recommendation of a special committee of our board of directors established in connection with the Company s review of strategic alternatives, approved and declared advisable the execution, delivery and performance of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, and determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable and in the best interests of the Company s stockholders. **Our board of directors recommends that you vote FOR the proposal to adopt the Merger Agreement and approve the Merger and FOR the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies.** For a discussion of the material factors considered by our board of directors in reaching its conclusions, see the section of this proxy statement entitled *The Merger Reasons for the Merger; Recommendation of Our Board of Directors.*

Interests of Certain Persons in the Merger (page 61)

In considering the recommendation of our board of directors with respect to the Merger, you should be aware that certain individuals, including our directors and executive officers, may have interests in the Merger that may be different from, or in addition to, the interests of our stockholders generally. These interests include the accelerated vesting and payment of stock options and other equity-based awards and the accelerated vesting and payment of long-term cash awards held by one executive officer and approximately forty-eight non-executive employees of the Company. In addition, severance benefits will become payable to certain of our executive officers and cash transaction bonuses, which were awarded to one executive officer and approximately thirty non-executive employees of the Company, will become payable. Our board of directors was aware of these differing interests and considered them, among other matters, in reaching its decision to approve the Merger Agreement and the Merger and to recommend that you vote in favor of adopting the Merger Agreement and approving the Merger.

Opinion of Goldman, Sachs & Co. (page 40)

Goldman, Sachs & Co. (which we refer to in this proxy statement as Goldman Sachs) delivered its opinion to the Company s board of directors that, as of September 19, 2010 and based upon and subject to the limitations and assumptions set forth therein, the $12.00 per share in cash to be paid to the holders (other than Safran and its affiliates) of the outstanding shares of common stock of the Company pursuant to the Merger Agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated as of September 19, 2010, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of the Company s board of directors in connection with its consideration of the Merger. The Goldman Sachs opinion is not a recommendation as to how any holder of

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the Company s common stock should vote with respect to the Merger or any other matter. Pursuant to the engagement letter between Goldman Sachs and the Company, the Company has agreed to pay Goldman Sachs a fee totaling approximately $11 million, of which approximately $9.4 million will be paid upon the consummation of the Merger. In addition, the Company has agreed to reimburse Goldman Sachs for certain expenses and to indemnify Goldman Sachs against certain liabilities arising out of Goldman Sachs engagement.

For a more complete description, see the section of this proxy statement entitled *The Merger Opinion of Goldman, Sachs & Co.* beginning on page 40. See also Annex C to this proxy statement.

Opinion of Stone Key Partners LLC (page 49)

At the September 18, 2010 meeting of the Company s board of directors, Stone Key Partners LLC and the Stone Key securities division of Hudson Partners Securities LLC (which, together, we refer to in this proxy statement as Stone Key) delivered its oral opinion, which was subsequently confirmed in writing, that, as of September 18, 2010, and based upon and subject to the assumptions, qualifications and limitations set forth in the written opinion, the $12.00 per share merger consideration was fair, from a financial point of view, to the stockholders of the Company.

The full text of Stone Key s written opinion is attached as Annex D to this proxy statement and you should read the opinion carefully and in its entirety. The opinion sets forth the assumptions made, some of the matters considered and qualifications to and limitations of the review undertaken by Stone Key. The Stone Key opinion, which was authorized for issuance by the Fairness Opinion and Valuation Committee of Stone Key, is subject to the assumptions and conditions contained in the opinion and is necessarily based on economic, market and other conditions and the information made available to Stone Key as of the date of the Stone Key opinion. Pursuant to an engagement letter between Stone Key and the Company, the Company has agreed to pay Stone Key a fee totaling approximately $8 million, of which approximately $1.2 million was payable in connection with delivery of its opinion and the remaining portion of which will be paid upon the consummation of the transactions. In addition, the Company has agreed to reimburse Stone Key for certain expenses and to indemnify Stone Key against certain liabilities arising out of Stone Key s engagement.

Financing of the Merger (page 58)

The obligations of Safran and Merger Sub under the Merger Agreement are not subject to a condition regarding Safran s or Merger Sub s obtaining of funds to consummate the Merger and the other transactions contemplated by the Merger Agreement. Safran and Merger Sub have represented in the Merger Agreement that Safran has, and as of the closing of the Merger, Safran will have, sufficient funds available (through existing credit arrangements or otherwise) to fully fund all of its and Merger Sub s obligations under the Merger Agreement, including payment of the aggregate merger consideration and other cash consideration in respect of equity awards pursuant to the Merger Agreement, and payment of all fees and expenses related to the transactions contemplated by the Merger Agreement and any refinancing of indebtedness of Safran or the Company or their respective subsidiaries in connection with the transactions contemplated by the Merger Agreement.

Governmental and Regulatory Approvals (page 67)

Antitrust Clearance. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (which we refer to in this proxy statement as the HSR Act) and the rules promulgated thereunder by the Federal Trade Commission (which we refer to in this proxy statement as the FTC), the Merger may not be completed until notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice (which we refer to in this proxy statement as the DOJ) and the applicable waiting period has expired or been terminated. L-1 and Safran filed the notification and report forms under the HSR Act with the FTC and the DOJ on December 13, 2010.

CFIUS. The Merger is also subject to review and clearance by the Committee on Foreign Investment in the United States (which we refer to in this proxy statement as CFIUS) under the Defense Production Act of 1950, as amended by Section 5021 of the Omnibus Trade and Competitiveness Act of 1988 and subsequent amendments (which we refer to in this proxy statement as Exon-Florio), which provides for national security reviews of foreign

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acquisitions of U.S. companies that may have an impact on national security. CFIUS notification is voluntary, but provides a means to assure that the President of the United States will not exercise his authority to block the transaction or require divestiture after closing. On November 24, 2010, the Company and Safran submitted a joint voluntary notice to CFIUS.

The initial 30-day CFIUS review period was completed on December 28, 2010. On December 28, 2010, the parties received a letter advising that CFIUS would proceed with a 45-day investigation of the Merger, which was expected given the nature of the Company s business and the French government s ownership stake in Safran. Following the 45-day investigation, a report may be sent to the President of the United States, who then has 15 days to decide whether to block the transaction or to take other action. Also, the CFIUS review period may be extended by mutual consent of the parties and CFIUS. During the course of the CFIUS review, Safran and the Company will also work with the Defense Security Service to develop an appropriate structure to mitigate any foreign ownership, control or influence over the operations of the Company in order to comply with the National Industrial Security Program Operating Manual. The U.S. government recognizes that foreign investment can play an important role in maintaining the viability of the U.S. industrial base. Therefore, it is the stated policy of the U.S. government to allow foreign investment consistent with national security interests.

We cannot assure you that an antitrust, CFIUS or other regulatory challenge to the Merger will not be made.

Voting and Support Agreement (page 60)

Contemporaneously with the execution of the Merger Agreement, on September 19, 2010, Mr. LaPenta and Aston entered into a voting and support agreement with Safran and Merger Sub. Pursuant to the voting and support agreement, Mr. LaPenta and Aston agreed, among other things, to vote their shares of our common stock in favor of the adoption of the Merger Agreement and approval of the Merger, unless our board of directors changes its recommendation of the Merger to stockholders (in which case, Mr. LaPenta and Aston may vote for or against the Merger). As of December 27, 2010, the record date for the special meeting, Mr. LaPenta and Aston together beneficially owned approximately 14.59% of our outstanding common stock. See the section of this proxy statement entitled *The Merger Interests of Certain Persons in the Merger Relationships with Aston and Stone Key* for a discussion regarding certain other relationships with Aston.

Material U.S. Federal Income Tax Consequences (page 59)

The receipt of cash in exchange for shares of our common stock pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. In general, U.S. holders who exchange their shares of our common stock in the Merger will recognize gain or loss in an amount equal to the difference, if any, between the cash received in the Merger and their adjusted tax basis in such shares. Such gain or loss will be capital gain or loss if such shares are held as a capital asset in the hands of the U.S. holders and will be long-term capital gain or loss if such shares have a holding period of more than one year at the time the Merger is consummated. See the section of this proxy statement entitled *The Merger Material U.S. Federal Income Tax Consequences.* You should consult your independent tax advisor as to the particular tax consequences of the Merger to you, including the tax consequences under state, local, foreign or estate and gift tax laws.

Restrictions on Solicitations of Other Offers and Change of Recommendation (pages 80 and 81)

The Merger Agreement provides that, prior to the consummation of the Merger, neither the Company nor any of its subsidiaries will, and each will use best efforts to cause its and their respective officers, directors, employees and representatives not to:

initiate, solicit, knowingly encourage, knowingly induce or knowingly take any other action designed to, or which would reasonably be expected to lead to, the making of any Acquisition Proposal (as defined in the Merger Agreement and described in the section of this proxy statement entitled *The Merger Agreement Restrictions on Solicitations of Other Offers*); or

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participate or engage in any negotiations or discussions with, or furnish any material nonpublic information to, any person or take action to knowingly facilitate any inquiries relating to, or making of any proposal that constitutes, or would reasonably be expected to lead to, any Acquisition Proposal.

Notwithstanding these restrictions, the Merger Agreement provides that if, at any time prior to adoption of the Merger Agreement and approval of the Merger by our stockholders, the Company receives an unsolicited, bona fide written Acquisition Proposal made after the date of the Merger Agreement in circumstances not involving a breach of the Merger Agreement by the Company, the Company and our board of directors may engage in negotiations or substantive discussions with, and furnish any information and other access to, any person making such Acquisition Proposal and such person s representatives or potential sources of financing if our board of directors determines in good faith, after consultation with the Company s outside legal and financial advisors, that:

such Acquisition Proposal constitutes or could reasonably be expected to result in a Superior Proposal (as defined in the Merger Agreement and described in the section of this proxy statement entitled *The Merger Agreement Restrictions on Solicitations of Other Offers*); and

the failure to take such action would be reasonably likely to be inconsistent with the directors fiduciary duties to the stockholders of the Company under applicable law.

The Merger Agreement also contains restrictions on the ability of our board of directors to withhold, withdraw, modify or amend its recommendation that our stockholders adopt the Merger Agreement and approve the Merger, and on the ability of our board of directors to recommend, adopt or approve, or publicly propose to recommend, adopt or approve, any Acquisition Proposal, in each case, subject to certain exceptions. See the section of this proxy statement entitled *The Merger Agreement Change of Recommendation* for a description of these restrictions and exceptions. Under the terms of the Merger Agreement, we are obligated to hold the stockholders meeting and submit the Merger Agreement and Merger for adoption and approval by our stockholders at that meeting, even if our board of directors has changed its recommendation or an Acquisition Proposal has been received, disclosed or commenced.

Conditions to the Completion of the Merger (page 87)

Conditions to Each Party s Obligations. The obligations of the Company, Safran and Merger Sub to consummate the Merger are subject to the satisfaction (or waiver, if permissible under applicable law) of the following conditions at or prior to the closing of the Merger:

approval of the Merger Agreement by the holders of a majority of the outstanding shares of our common stock;

absence of any injunction, law, judgment, order, decree or ruling in effect which seeks to or has the effect of enjoining or otherwise prohibiting the consummation of the Merger (unless vacated, terminated or withdrawn) or making the consummation of the Merger illegal;

expiration or termination of any waiting period (including any extension) applicable to the consummation of the Merger under the HSR Act;

receipt by Safran and the Company of written confirmation by CFIUS of the completion of the review, and if applicable, investigation process, under Exon-Florio and CFIUS s determination that there are no unresolved national security concerns with respect to the transactions contemplated by the Merger Agreement and the BAE Agreement; and

the expiration of a 35 trading day notice period under the terms governing the Company s convertible notes (which notice was distributed on December 20, 2010).

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Conditions to Safran s and Merger Sub s Obligations. Safran s and Merger Sub s obligations to consummate the Merger are subject to the satisfaction (or waiver by Safran and Merger Sub, if permissible under applicable law) of additional conditions at or prior to the closing of the Merger, including, among other things:

- the representations and warranties made by the Company contained in the Merger Agreement being true and correct as of the date of the Merger Agreement and the closing of the Merger, subject to certain materiality thresholds;
- the Company s performance in all material respects of all of its material obligations under the Merger Agreement to be performed by it at or prior to the closing of the Merger;
- the absence of a Company Material Adverse Effect (as defined in the Merger Agreement and described in the section of this proxy statement entitled *The Merger Agreement Company Material Adverse Effect Definition*) since the date of the Merger Agreement;
- the receipt by the Company of the purchase price to be paid by BAE to the Company in connection with the closing of the BAE Transaction (for a discussion of the BAE Agreement and the BAE Transaction, see the section of this proxy statement entitled *The Merger BAE Agreement*);
- completion of the novation, assignment, termination or expiration of certain of the Company s contracts involving classified information; and
- subject to certain exceptions, no contracts, assets or liabilities from the Intel Companies (as defined below) having been assigned or novated to the Company or its subsidiaries (other than the Intel Companies).

Conditions to the Company s Obligations. The Company s obligations to consummate the Merger are subject to the satisfaction (or waiver by the Company, if permissible under applicable law), of additional conditions at or prior to the closing of the Merger, including, among other things:

- the representations and warranties made by Safran and Merger Sub contained in the Merger Agreement being true and correct as of the date of the Merger Agreement and the closing of the Merger, subject to certain materiality thresholds; and
- Safran s and Merger Sub s performance in all material respects of all material obligations required to be performed by each of them under the Merger Agreement at or prior to the closing of the Merger.

Termination of the Merger Agreement (page 89)

The Company and Safran may agree to terminate the Merger Agreement without completing the Merger at any time, even after our stockholders have adopted the Merger Agreement. The Merger Agreement may also be terminated in certain other circumstances, including:

- by either the Company or Safran if:
  - the Merger has not been consummated on or prior to June 19, 2011 (or, at the parties election under certain circumstances, September 19, 2011);

any injunction, law, judgment, order, decree or ruling permanently enjoining or otherwise prohibiting the consummation of the Merger has become final and non-appealable;

the BAE Agreement has been terminated in accordance with its terms, subject to the Company s ability to exercise certain substitution rights relating to the sale of the Company s intelligence services business, which rights are described in the section of this proxy statement entitled *The Merger Agreement Certain Substitution Rights in Connection with the Sale of the Transferred Intel Companies;*

the Company s stockholders do not approve the Merger Agreement at the special meeting; or

the other party has breached any of its representations, warranties, covenants or agreements contained in the Merger Agreement, which breach would result in a failure of a closing condition to the obligations of the terminating party and which breach has not been waived and is incapable of being cured, or is not cured, within 45 days following receipt of written notice of such breach by the party seeking to terminate

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(so long as the party seeking to terminate the agreement has not materially breached any of its material obligations under the Merger Agreement); or

by Safran if:

the Company s board of directors has changed its recommendation of the Merger or the Merger Agreement, or has recommended, adopted or approved, or publicly proposed to recommend, adopt or approve, any Acquisition Proposal;

the Company has breached its obligations under the Merger Agreement by failing to (i) call the stockholders meeting, (ii) mail this proxy statement in accordance with the terms of the Merger Agreement or (iii) include in this proxy statement the board of directors recommendation that the stockholders adopt and approve the Merger Agreement and the Merger; or

the Company has violated or breached in any material respect any of its material obligations described in the sections of this proxy statement entitled *The Merger Agreement Restrictions on Solicitations of Other Offers* or *The Merger Agreement Change of Recommendation*.

Termination Fees and Reimbursement of Expenses (page 90)

The Company has agreed to pay Safran a termination fee of $25,000,000 in cash (minus any amounts paid by the Company in connection with the reimbursement of expenses described below) if:

prior to the special meeting, the Merger Agreement is terminated by Safran pursuant to its termination rights related to the board of directors change of recommendation or breach of the Company s obligations regarding the stockholders special meeting, the proxy statement or the non-solicitation obligations described above; or

each of the following has occurred:

(a) Safran terminates the Merger Agreement pursuant to its termination rights related to the Company s breach of its representations, warranties, covenants or agreements contained in the Merger Agreement, which breach would result in a failure of a condition to Safran s and Merger Sub s obligations to consummate the Merger; (b) either Safran or the Company terminates the Merger Agreement as a result of the Merger failing to be consummated on or prior to June 19, 2011 (or, under certain circumstances, September 19, 2011) or (c) the stockholders do not approve the Merger at the special meeting;

an Acquisition Proposal is publicly announced (prior to the special meeting, in the case of clause (c) above); and

within nine months after termination of the Merger Agreement, the Company enters into (and subsequently consummates) an agreement providing for a qualifying Acquisition Proposal.

The Company is required to reimburse up to $12,500,000 of Safran s documented out-of-pocket fees and expenses in connection with the Merger Agreement and the Merger if:

either Safran or the Company terminates the Merger Agreement as a result of the Merger failing to be consummated on or prior to June 19, 2011 (or, under certain circumstances, September 19, 2011), and at the time of termination all conditions related to regulatory approvals have been satisfied; or

the BAE Agreement is terminated (subject to the Company s substitution rights relating to the sale of the Company s intelligence services business, which are discussed in the section of this proxy statement entitled *The Merger Agreement Certain Substitution Rights in Connection with the Sale of the Transferred Intel Companies*).

Safran has agreed to pay the Company a termination fee of $75,000,000 in cash if the Merger Agreement is terminated and all conditions to the consummation of the Merger have been satisfied, other than those conditions related to regulatory approvals and those to be satisfied at or immediately prior to the closing.

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BAE Agreement (page 69)

On September 19, 2010, simultaneously with the execution of the Merger Agreement, the Company entered into the BAE Agreement, pursuant to which, subject to the terms and conditions of the BAE Agreement, BAE will acquire the Company s intelligence services business group through the acquisition of the outstanding capital stock and membership interests of McClendon, LLC, SpecTal, LLC and Advanced Concepts, Inc. (which we collectively refer to in this proxy statement as the Transferred Intel Companies and which, together with Patriot, LLC, an entity in which Advanced Concepts, Inc. owns a 49% equity interest, we collectively refer to as the Intel Companies) for a purchase price of $295,833,000 in cash and approximately $7,291,000 of certain assumed obligations related to the payments to officers and employees of the Transferred Intel Companies under the Intel Companies Special Employee Plan to be adopted in connection with the BAE Transaction.

The proposed sale to BAE is subject to the terms and conditions set forth in the BAE Agreement, which is attached as Annex B to this proxy statement. These conditions include, among other things, (i) the expiration or termination of the applicable waiting periods related to the BAE Transaction under the HSR Act (termination of the applicable waiting period was granted on November 3, 2010); (ii) termination or expiration of the CFIUS review period for the BAE Transaction (which period has terminated); (iii) no Business Material Adverse Effect (as defined in the BAE Agreement and described in the section of this proxy statement entitled *The Merger BAE Agreement*) having occurred since September 19, 2010, the date of the BAE Agreement; (iv) subject to certain materiality exceptions, the accuracy of the representations and warranties made by the Company and BAE, respectively, and compliance by the Company and BAE with their respective obligations under the BAE Agreement; (v) the completion of certain actions in respect of organizational conflict of interest provisions under certain contracts of the intelligence services business; (vi) no law or judgment prohibiting the BAE Transaction; and (vii) other customary conditions.

The closing of the Merger is conditioned on the prior completion of the BAE Transaction; however, the BAE Transaction is not conditioned on the consummation of the Merger, and the BAE Transaction may be completed even if the Merger is not consummated or the Merger Agreement is terminated. Taking into account the required governmental and regulatory approvals described above, we expect that the BAE Transaction will close a period of time in advance of consummation of the Merger.

Procedure for Receiving the Merger Consideration (page 74)

As soon as practicable after the effective time of the Merger, a paying agent designated by Safran (and reasonably acceptable to the Company) will mail a letter of transmittal and instructions to all Company stockholders, to the extent deemed necessary or appropriate by the paying agent. The letter of transmittal and instructions will tell you how to surrender your certificates of common stock in exchange for the merger consideration, without interest and less applicable withholding taxes. The paying agent will provide stockholders with the consideration due pursuant to the Merger Agreement as soon as practicable following the receipt of your certificates of common stock in accordance with the instructions set forth in the letter of transmittal. You should not return any share certificates you hold with the enclosed proxy card, and you should not forward your share certificates to the paying agent without a letter of transmittal.

Appraisal Rights (page 93)

Under Delaware law, if the Merger is completed, holders of shares of our common stock who do not vote in favor of adopting the Merger Agreement and approving the Merger will have the right to seek appraisal of the fair value of their shares of common stock as determined by the Delaware Court of Chancery, but only if they comply with all requirements of Delaware law (including Section 262 of the General Corporation Law of the State of Delaware (which we refer to in this proxy statement as the DGCL), the text of which is attached as Annex E to, and the terms of which

are summarized in, this proxy statement). This appraisal amount could be more than, the same as or less than the $12.00 per share merger consideration pursuant to the terms of the Merger Agreement. Any holder of common stock intending to exercise appraisal rights must, among other things, submit a written demand for an appraisal to the Company prior to the vote of stockholders on the adoption of the Merger Agreement and approval of the Merger and must not vote or otherwise submit a proxy in favor of adoption of the Merger Agreement and approval of the Merger. Your failure to follow exactly the procedures specified under Delaware law will result in the

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loss of your appraisal rights. This proxy statement constitutes our notice to our stockholders of the availability of appraisal rights in connection with the Merger in compliance with the requirements of Section 262 of the DGCL.

Market Price of the Company Common Stock (page 98)

Our common stock is listed on the New York Stock Exchange under the trading symbol ID . The closing sale price of our common stock on the New York Stock Exchange on September 17, 2010, the last trading day prior to announcement of the execution of the Merger Agreement, was $9.70 per share. The closing sale price of our common stock on the New York Stock Exchange was $7.23 on January 5, 2010, the trading day prior to our public announcement of the strategic alternatives review process. On December 28, 2010, which is the most recent practicable date prior to the date of this proxy statement, the closing sale price of our common stock was $11.90 per share.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to briefly address some commonly asked questions you may have regarding the special meeting, the Merger Agreement and the proposed Merger. These questions and answers may not address all questions that may be important to you as a stockholder of the Company. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement, which you should read carefully. See the section of this proxy statement entitled Where You Can Find More Information beginning on page 99.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of the Company by Safran pursuant to the Merger Agreement. If the Merger Agreement is adopted and the Merger is approved by the Company s stockholders and the other closing conditions under the Merger Agreement have been satisfied or waived, Merger Sub, a wholly owned subsidiary of Safran, will merge with and into the Company. Prior to the consummation of the Merger (and as a condition to the consummation of the Merger), the Company will sell its intelligence services business group to BAE pursuant to the terms and subject to the conditions set forth in the BAE Agreement. Upon consummation of the Merger, the Company will be the surviving corporation in the Merger and will be a wholly owned subsidiary of Safran. After the Merger, shares of the Company s common stock will not be publicly traded.

Q: What will I receive for my shares of the Company s common stock in the Merger?

A: Upon consummation of the Merger, you will receive $12.00 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own at the effective time of the Merger (unless you have properly demanded and perfected your appraisal rights under Delaware law, in which case any consideration that you receive will be determined by the Delaware Court of Chancery). Upon consummation of the Merger, you will no longer own shares in L-1, nor will you be entitled to receive any shares in Safran or the surviving corporation.

See the section of this proxy statement entitled *The Merger Material U.S. Federal Income Tax Consequences* for a description of the tax consequences of the Merger. You should consult your own tax advisor for a full understanding of how the Merger will affect your federal, state, local and foreign taxes.

Q: How does the merger consideration compare to the market price of the common stock prior to announcement of the Merger?

A: The per share merger consideration of $12.00 in cash, without interest and less applicable withholding taxes, contemplated to be received by the holders of our common stock pursuant to the Merger Agreement represents a premium to historic trading prices, including (i) a premium of 66% over the closing sale price of $7.23 on the New York Stock Exchange on January 5, 2010, the trading day prior to our public announcement of the strategic alternatives review process and (ii) a premium of approximately 24% over the closing sale price of $9.70 on the New York Stock Exchange on September 17, 2010, the last trading day prior to announcement of the Merger Agreement.

Q: How will the Company s stock options, other equity-based awards and long-term cash awards be treated in the Merger?

A: Pursuant to the Merger Agreement, immediately prior to the consummation of the Merger, all outstanding and unvested stock options, restricted stock awards and long-term cash awards will become vested, and upon consummation of the Merger (i) each outstanding stock option will be cancelled in exchange for the right to receive a cash payment equal to the excess, if any, of the $12.00 per share merger consideration over the exercise price of the option, less any applicable withholding taxes, (ii) each outstanding restricted stock award shall be treated in the same manner as all other shares of common stock in the Merger, (iii) each outstanding deferred stock unit will be cancelled and the holder will be entitled to receive a cash payment equal to the $12.00 per share merger consideration, less any applicable withholding taxes, and (iv) payment will be made with respect to each long-term cash award no later than 10 business days following the consummation of the Merger.

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Q: Where and when is the special meeting?

A: The special meeting will be held at the Hyatt Regency-Greenwich hotel located at 1800 E Putnam Avenue, Old Greenwich, CT, on February 3, 2011 at 2:00 p.m. Eastern Time.

Q: Are all stockholders of the Company as of the record date entitled to vote at the special meeting?

A: Yes. All stockholders who own shares of our common stock at the close of business on December 27, 2010, the record date for the special meeting, will be entitled to receive notice of the special meeting and to vote (in person or by proxy) the shares of our common stock that they hold on that date at the special meeting, or any adjournments or postponements of the special meeting.

Q: What matters am I being asked to vote on at the special meeting?

A: You are being asked to vote:

FOR or AGAINST the adoption of the Merger Agreement and the approval of the Merger; and

FOR or AGAINST the proposal to adjourn or postpone the special meeting to a later date, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the Merger Agreement and approve the Merger.

The sale of the Company s intelligence services business group to BAE does not require a vote of the Company s stockholders. For a discussion of the BAE Transaction, see the section of this proxy statement entitled *The Merger BAE Agreement.*

Q: What vote of the Company s stockholders is required to adopt the Merger Agreement?

A: For us to complete the Merger, a majority of the outstanding shares of our common stock at the close of business on the record date must vote **FOR** the adoption of the Merger Agreement and approval of the Merger, with each share having a single vote.

Because the affirmative vote required to adopt the Merger Agreement is based upon the total number of shares of outstanding common stock, a failure to vote, an abstention or a broker non-vote will have the same effect as a vote AGAINST adoption of the Merger Agreement.

Mr. LaPenta and Aston entered into a voting and support agreement, which is described in more detail in the section entitled *The Special Meeting Vote Required for Approval,* pursuant to which Mr. LaPenta and Aston agreed, among other things, to vote their shares of our common stock in favor of the adoption of the Merger Agreement and approval of the Merger, unless our board of directors changes its recommendation of the Merger to stockholders (in which case, Mr. LaPenta and Aston may vote for or against the Merger). As of December 27, 2010, the record date for the special meeting, Mr. LaPenta and Aston together beneficially owned approximately 14.59% of our outstanding common stock.

Q: What vote of the Company s stockholders is required to adjourn or postpone the special meeting?

A: Approval of the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is

present. A failure to attend the special meeting and vote your shares of common stock or failure to submit a proxy or a broker non-vote, will have no effect on the outcome of any vote to adjourn or postpone the special meeting. However, an abstention will have the same effect as voting AGAINST any proposal to adjourn or postpone the special meeting.

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Q: Does the board of directors recommend that the Company s stockholders vote FOR the adoption of the Merger Agreement and the approval of the Merger?

A: Yes. After careful consideration and upon the recommendation of a special committee of the board of directors established in connection with the Company s review of strategic alternatives, the board of directors of the Company, by a unanimous vote of the directors, recommends that you vote:

FOR the adoption of the Merger Agreement and approval of the Merger. You should read the section entitled *The Merger Reasons for the Merger; Recommendation of Our Board of Directors* of this proxy statement for a discussion of the factors that our board of directors considered in deciding to recommend the adoption of the Merger Agreement and approval of the Merger; and

FOR the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the Merger Agreement and approve the Merger.

Q: Do any of the Company s directors or executive officers have interests in the Merger that may differ from or be in addition to my interests as a stockholder?

A: In considering the recommendation of our board of directors with respect to the Merger, you should be aware that our directors and executive officers, and certain other persons, may have interests in the Merger that may be different from, or in addition to, the interests of our stockholders generally. These interests include the accelerated vesting and payment of stock options and other equity-based awards and the accelerated vesting and payment of long-term cash awards held by one executive officer and approximately forty-eight non-executive employees of the Company. In addition, severance benefits will become payable to certain of our executive officers and cash transaction bonuses, which were awarded to one executive officer and approximately thirty non-executive employees of the Company, will become payable. See the section of this proxy statement entitled *The Merger Interests of Certain Persons in the Merger.* Our board of directors was aware of these differing interests and considered them, among other matters, in reaching its decision to approve the Merger Agreement and the Merger and to recommend that you vote in favor of adopting the Merger Agreement and approving the Merger.

Q: What effects will the proposed Merger have on the Company?

A: Upon consummation of the proposed Merger, L-1 will cease to be a publicly traded company and will become wholly owned by Safran. You will no longer have any interest in the future earnings or growth, if any, of the Company. Following consummation of the Merger, the registration of our common stock and our reporting obligations with respect to our common stock under the Securities Exchange Act of 1934, as amended (which we refer to in this proxy statement as the Exchange Act) will be terminated upon application to the SEC. In addition, upon completion of the proposed Merger, shares of L-1 common stock will no longer be listed on the New York Stock Exchange, or any other stock exchange or quotation system.

Q: What happens if the BAE Transaction is not completed?

A: Since the Merger is conditioned on the closing of the BAE Transaction, if the BAE Transaction is not completed for any reason and a substitute transaction is not implemented pursuant to the terms of the Merger Agreement, the Merger will not be consummated and you will not receive any payment for your shares of the Company s common stock in connection with the Merger. Instead, the Company will remain an independent public company and its common stock will continue to be listed and traded on the New York Stock Exchange. For a discussion of

the BAE Transaction, see the section of this proxy statement entitled *The Merger BAE Agreement*.

Q: What happens if the Merger is not consummated?

A: If the Merger Agreement is not adopted and the Merger is not approved by stockholders or if the Merger is not completed for any other reason, stockholders will not receive any payment for their shares in connection with the Merger. Instead, L-1 will remain an independent public company and our common stock will continue to be listed and traded on the New York Stock Exchange. Completion of the BAE Transaction is not conditioned

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on the Merger, and this sale may be completed even if the Merger is not completed or the Merger Agreement is terminated. If the Merger Agreement is terminated, under specified circumstances, L-1 may be required to pay Safran a termination fee or reimburse Safran for its out-of-pocket expenses. Safran may be required to pay L-1 a termination fee under certain circumstances. See the section of this proxy statement entitled *The Merger Agreement Termination Fees and Reimbursement of Expenses.*

Q: How do I vote my shares without attending the special meeting?

A: You may vote without attending the special meeting by:

completing, signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope;

using the telephone number printed on your proxy card;

using the Internet voting instructions printed on your proxy card; or

if you hold your shares in street name, following the procedures provided by your broker, bank or other nominee.

Q: How do I vote my shares in person at the special meeting?

A: If you hold shares in your name as a stockholder of record, you may attend the special meeting and vote those shares in person at the meeting by giving us a signed proxy card or ballot before voting is closed. If you decide to vote in person, please bring proof of identification with you to the special meeting. Even if you plan to attend the meeting, we recommend that you vote your shares in advance as described above, so your vote will be counted if you later decide not to attend.

If you hold shares in street name through a broker, bank or other nominee, you may vote those shares in person at the meeting only if you obtain and bring with you a signed proxy from the necessary nominees giving you the right to vote the shares. To do this, you should contact your broker, bank or other nominee.

Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?

A: **Your broker, bank or other nominee will not be able to vote your shares without instructions from you.** You should instruct your broker, bank or other nominee to vote your shares following the procedure provided by your broker, bank or other nominee. Without instructions, your shares will not be voted, which will have the same effect as if you voted AGAINST adoption of the Merger Agreement and approval of the Merger, but will have no effect on the proposal to adjourn or postpone the special meeting if necessary or appropriate, to solicit additional proxies.

Q: Can I revoke or change my vote?

A: Yes. If you hold your shares in your name as a stockholder of record, you have the right to change or revoke your proxy at any time before the vote taken at the special meeting by: (i) delivering to our Secretary, at 177 Broad Street, Stamford, Connecticut 06901, a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked; (ii) attending the special meeting and voting in person (your attendance at the meeting will not, by itself, change or revoke your proxy you must vote in person at the meeting to change or revoke a prior proxy); (iii) completing, executing and delivering a later dated proxy card; or (iv) voting again at a later time by telephone or the Internet prior to the time at which the telephone and Internet

voting facilities close by following the procedures applicable to those methods of voting. Simply attending the special meeting will not revoke your proxy. If you hold your shares through a broker, bank, or other nominee, follow the directions received from your broker, bank or other nominee to change or revoke your instructions.

Q: What does it mean if I get more than one proxy card or vote instruction form?

A: If your shares are registered differently and are in more than one account, you may receive more than one proxy card or vote instruction form. Please complete, sign, date and return all of the proxy cards and vote

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instruction forms you receive regarding the special meeting (or submit your proxy for all shares by telephone or the Internet) to ensure that all of your shares are voted.

Q: When should I send my proxy card?

A: You should send your proxy card as soon as possible so that your shares will be voted at the special meeting.

Q: What do I need to do now?

A: Even if you plan to attend the special meeting, after carefully reading and considering the information contained in this proxy statement, if you hold your shares in your own name as the stockholder of record, please vote your shares by completing, signing, dating and returning the enclosed proxy card; using the telephone number printed on your proxy card; or using the Internet voting instructions printed on your proxy card. You can also attend the special meeting and vote. Do NOT return your stock certificate(s) with your proxy card.

If your shares of common stock are held in street name by your broker, bank or other nominee, you should instruct your broker, bank or other nominee on how to vote your shares of common stock using the instructions provided by your broker, bank or other nominee. If your shares of common stock are held in street name and you do not provide your broker, bank or other nominee with instructions, your shares of common stock will not be voted and that will have the same effect as voting AGAINST the adoption of the Merger Agreement but will have no effect on the outcome of any vote to adjourn or postpone the special meeting.

Q: Are appraisal rights available?

A: Yes. As a holder of common stock of the Company, you are entitled to appraisal rights under Delaware law if you do not vote in favor of adoption of the Merger Agreement and approval of the Merger and you have properly demanded and perfected your appraisal rights under Delaware law. See the section of this proxy statement entitled *Appraisal Rights.*

Q: When do you expect the Merger to be completed?

A: We anticipate that the Merger will be completed by the end of the first quarter of 2011, assuming satisfaction or waiver of all of the conditions to the Merger. However, the Merger is subject to various regulatory approvals and other conditions, and it is possible that factors outside the control of Safran and the Company could result in the Merger being completed at a later time, an earlier time or not at all. In addition, there may be a substantial amount of time between the date of the special meeting and completion of the Merger.

Q: If the Merger is completed, when can I expect to receive the merger consideration for my shares of common stock?

A: Promptly after the completion of the Merger, you will be sent a letter of transmittal describing how you may exchange your shares of common stock for the merger consideration. You should not send your common stock certificates to us or anyone else until you receive these instructions.

Q: Who will bear the cost of this solicitation?

A: The expenses of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by the Company. The Company will, upon request, reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for forwarding material to the beneficial owners of shares

held of record by others. Additional solicitations may be made by telephone, facsimile or other contact by certain directors, officers or employees of the Company, none of whom will receive additional compensation therefor, and by our proxy solicitor, as described below.

Q: Will a proxy solicitor be used?

A: Yes. The Company has engaged Morrow & Co., LLC to assist in the solicitation of proxies for the special meeting and the Company estimates that it will pay Morrow & Co., LLC a fee of approximately $25,000. The Company has also agreed to reimburse Morrow & Co., LLC for out-of-pocket expenses and to indemnify them against certain losses arising out of their proxy solicitation services.

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Q: Should I send in my stock certificates now?

A: No. **PLEASE DO NOT SEND IN YOUR STOCK CERTIFICATES WITH YOUR PROXY.**

Shortly after the Merger is completed, you will receive a letter of transmittal with instructions informing you how to send in your stock certificates to the paying agent in order to receive the merger consideration in respect of your shares of our common stock. You should use the letter of transmittal to exchange your stock certificates for the merger consideration which you are entitled to receive as a result of the Merger.

Q: Is the Merger expected to be taxable to me?

A: Yes. The exchange of shares of common stock for cash pursuant to the Merger Agreement generally will be a taxable transaction to U.S. holders (as defined in *The Merger Material U.S. Federal Income Tax Consequences*) for U.S. federal income tax purposes. If you are a U.S. holder and you exchange your shares of our common stock in the Merger, you will generally recognize gain or loss in an amount equal to the difference, if any, between the cash received in the Merger and your adjusted tax basis in such shares.

See the section of this proxy statement entitled *The Merger Material U.S. Federal Income Tax Consequences* for a more detailed discussion of the U.S. federal income tax consequences of the Merger. You should also consult your independent tax advisor as to the particular tax consequences of the Merger to you, including the tax consequences under state, local, foreign and other tax laws.

Q: What happens if I sell my shares before the special meeting?

A: The record date of the special meeting is earlier than the special meeting and the date that the Merger is expected to be completed. If you transfer your shares of common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive $12.00 per share in cash, without interest and less applicable withholding taxes, to be received by our stockholders in the Merger. In order to receive the $12.00 per share, without interest and less applicable withholding taxes, you must hold your shares through completion of the Merger.

Q: Who can help answer my other questions?

A: If you have more questions about the Merger, need assistance in submitting your proxy or voting your shares, or need additional copies of the proxy statement or the enclosed proxy card, you should contact our proxy solicitor:

Morrow & Co., LLC
470 West Avenue
Stamford, CT 06902
Stockholders Call: (877) 366-1578
Banks and Brokers Call: (203) 658-9400

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. Forward-looking statements include, among others, information concerning the possible or assumed future results of operations of the Company, the expected completion and timing of the Merger and the BAE Transaction and other information relating to the Merger and the BAE Transaction. There are forward-looking statements throughout this proxy statement, including, without limitation, under the headings *Proxy Statement Summary,* *Questions and Answers about the Special Meeting and the Merger,* *The Merger,* *The Merger Certain Forecasts,* *The Merger Governmental and Regulatory Approvals,* *The Merger Opinion of Goldman, Sachs & Co.,* and *The Merger Opinion of Stone Key Partners LLC.* Forward-looking statements can be identified by words such as believes, expects, predicts, estimates, anticipates, continues, contemplates, projects, will, could, should or would or similar expressions, or by discussion of competitive strengths or strategy that involv risks and uncertainties. These statements, which are based on information currently available to us, are not guarantees of future performance, actual outcomes or developments and may involve risks and uncertainties that could cause our actual outcomes, developments, growth, results of operations, performance and business prospects and opportunities to materially differ from those expressed in, or implied by, these statements. In addition to other factors and matters contained or incorporated in this document, these statements are subject to risks, uncertainties, and other factors, including, among others:

- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement or the BAE Agreement;
- the outcome of any legal proceeding that has been or may be instituted against L-1 and others relating to the Merger Agreement or the BAE Agreement;
- the inability to complete the Merger due to the failure to obtain stockholder approval, the failure to obtain regulatory approvals or the failure to satisfy other conditions to consummation of the Merger, including the failure to consummate the BAE Transaction;
- the failure of the Merger to close for any other reason;
- risks that the proposed transactions disrupt current business plans and operations and the potential difficulties in attracting and retaining employees as a result of the Merger or the BAE Transaction;
- business uncertainty and contractual restrictions during the pendency of the Merger and the BAE Transaction;
- the diversion of management s attention from ongoing business concerns;
- the risk of loss of senior management;
- the effect of the announcement of the Merger and the BAE Transaction on our customer and supplier relationships, operating results and business generally;
- the amount of the costs, fees, expenses and charges related to the Merger and the BAE Transaction;

the timing of the completion of the Merger and the BAE Transaction and the impact of the Merger and the BAE Transaction on our indebtedness, capital resources, cash requirements, profitability, management resources and liquidity;

risks and uncertainties relating to our business (including our ability to achieve strategic goals, objectives and targets over applicable periods), industry performance and the regulatory environment;

the effects of a recession in the United States or other parts of the world and general downturn in the economy, including the illiquidity in the debt / capital markets; and

other risks detailed in our current filings with the SEC, including our most recent filings on Forms 8-K, 10-Q and 10-K. See the section of this proxy statement entitled *Where You Can Find More Information.*

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The forward-looking statements contained in this proxy statement speak only as of the date on which such statements were made and we undertake no obligation, other than as may be required under the federal securities laws, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We do not assume responsibility for the accuracy and completeness of forward-looking statements. Any or all of the forward-looking statements contained in this proxy statement and in any other public statements that are made may prove to be incorrect. This may occur as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed above and under the caption Risk Factors of our most recent filings on Forms 10-Q and 10-K and on our Form 8-K filed on November 17, 2010. We caution that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. We cannot predict these new risk factors, nor can we assess the impact, if any, of the new risk factors on our business or the extent to which any factor or combination of factors may cause actual results or outcomes to differ materially from those expressed or implied by any forward-looking statement. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this proxy statement might not occur.

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THE PARTIES TO THE MERGER

L-1 Identity Solutions, Inc.

177 Broad Street
Stamford, Connecticut 06901
(203) 504-1109

L-1 Identity Solutions, Inc. protects and secures personal identities and assets. Its identity solutions business group is comprised of the Biometric / Enterprise Access, Secure Credentialing and Enrollment Services divisions. Its intelligence services business group is comprised of McClendon, LLC, SpecTal, LLC and Advanced Concepts, Inc. L-1 has more than 2,200 employees worldwide and is headquartered in Stamford, Connecticut.

For more information about us, please visit our website http://www.L1id.com. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference. See also the section of this proxy statement entitled *Where You Can Find More Information* beginning on page 99. Our common stock is publicly traded on the New York Stock Exchange under the trading symbol ID .

Safran SA

2, boulevard du Général Martial Valin
75724 Paris Cedex 15
France
+33 14 0 60 84 28

Safran is a France-based international high-technology group with three core businesses: Aerospace (propulsion and equipment), Defense and Security. Operating worldwide, Safran has 55,000 employees. Safran is listed on the NYSE Euronext Paris under the symbol SAF .

Laser Acquisition Sub Inc.

c/o Safran USA, Inc.
2850 Safran Drive
Grand Prairie, Texas 75052
(972) 606-7108

Merger Sub is a wholly owned subsidiary of Safran and is a Delaware corporation. It was formed solely for the purpose of effecting the Merger and the other transactions contemplated by the Merger Agreement and has not engaged in any business except in furtherance of this purpose and activities incident to its formation.

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THE SPECIAL MEETING

Date, Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by our board of directors for use at the special meeting to be held at the Hyatt Regency-Greenwich hotel located at 1800 E Putnam Avenue, Old Greenwich, CT, on February 3, 2011 at 2:00 p.m. Eastern Time, or at any postponement or adjournment thereof. The purpose of the special meeting is for our stockholders to consider and vote upon a proposal to adopt the Merger Agreement and approve the Merger (and to approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the Merger Agreement and approve the Merger). Stockholders holding a majority of our issued and outstanding common stock at the close of business on the record date must vote to adopt the Merger Agreement and approve the Merger in order for the Merger to occur. A copy of the Merger Agreement is attached as Annex A to this proxy statement.

Board of Directors Recommendation

After careful consideration, our board of directors, by unanimous vote, approved and declared advisable the execution, delivery and performance of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, and has determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable and in the best interests of the Company s stockholders. **Our board of directors recommends that you vote FOR the proposal to adopt the Merger Agreement and approve the Merger and FOR the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies.** For a discussion of the material factors considered by our board of directors in reaching its conclusions, see the section of this proxy statement entitled *The Merger Reasons for the Merger; Recommendation of Our Board of Directors.*

Record Date and Quorum

We have fixed the close of business on December 27, 2010 as the record date for the special meeting, and only holders of record of our common stock on the record date are entitled to vote at the special meeting. On December 27, 2010, there were 93,623,464 shares of our common stock entitled to be voted at the special meeting. Each share of common stock outstanding on the record date entitles its holder to one vote on all matters properly coming before the special meeting.

The presence at the special meeting in person or by proxy of the holders of a majority of the issued and outstanding shares of our capital stock entitled to vote at the special meeting as of the close of business on the record date will constitute a quorum for purposes of considering the proposals at the special meeting. Shares of common stock represented at the special meeting but not voted, including shares of common stock for which we have received proxies indicating that the submitting stockholders have abstained and broker non-votes will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business. A broker non-vote occurs on an item when a broker is not permitted to vote on that item without instructions from the beneficial owner of the shares and no instructions are given.

Vote Required for Approval

The adoption of the Merger Agreement and approval of the Merger requires the affirmative vote (in person or by proxy) of the holders of a majority of the outstanding shares of our common stock at the close of business on the record date. For the proposal to adopt the Merger Agreement and approve the Merger, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not be counted as votes cast or shares voting on the proposal to adopt the Merger Agreement and approve the Merger, but will count for the purpose of determining whether a quorum is present. **If you abstain, it will have the same effect as a vote AGAINST the adoption of the Merger Agreement and approval of the Merger.**

Brokers, banks or other nominees who hold shares of our common stock in street name for customers who are the beneficial owners of such shares may not give a proxy to vote those customers shares in the absence of specific instructions from those customers. These non-voted shares of our common stock will not be counted as

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votes cast or shares voting and will have the same effect as votes AGAINST approval and adoption of the Merger Agreement.

Contemporaneously with the execution of the Merger Agreement, on September 19, 2010, Mr. LaPenta and Aston entered into a voting and support agreement with Safran and Merger Sub, which is described in more detail below. Pursuant to the voting and support agreement, Mr. LaPenta and Aston agreed, among other things, to vote their shares of our common stock in favor of the adoption of the Merger Agreement and approval of the Merger, unless our board of directors changes its recommendation of the Merger to stockholders (in which case, Mr. LaPenta and Aston may vote for or against the Merger). As of December 27, 2010, the record date for the special meeting, Mr. LaPenta and Aston together beneficially owned approximately 14.59% of our outstanding common stock. See the section of this proxy statement entitled *The Merger Interests of Certain Persons in the Merger Relationships with Aston and Stone Key* for a discussion regarding certain other relationships with Aston.

Approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate, for the purpose of soliciting additional proxies requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy at the special meeting and entitled to vote on the matter, whether or not a quorum is present. A failure to vote your shares of common stock or a broker non-vote will have no effect on the outcome of any vote to adjourn or postpone the special meeting. An abstention will have the same effect as voting AGAINST any proposal to adjourn or postpone the special meeting.

As of December 27, 2010, the record date for the special meeting, our current directors and executive officers beneficially owned, and had the right to vote, in the aggregate, 16,028,257 shares of our common stock (which excludes shares that may be acquired by such persons pursuant to stock option grants but includes shares held by Aston that are deemed to be held beneficially by certain directors and executive officers), which represented approximately 17.12% of the outstanding shares of our common stock. Our current directors and executive officers have informed us that they intend to vote all of their shares of common stock **FOR** the adoption of the Merger Agreement and approval of the Merger and **FOR** the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

Proxies and Revocation

In order for your shares of common stock to be included in the vote, if you are a stockholder of record, you must either have your shares voted by returning the enclosed proxy card or by authorizing your proxy or voting instructions by telephone or Internet or voting in person at the special meeting.

Record holders may vote or cause their shares of common stock to be voted by proxy using one of the following methods:

- completing, signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope;
- using the telephone number printed on your proxy card;
- using the Internet voting instructions printed on your proxy card; or
- appearing and voting in person by ballot at the special meeting.

If you hold your shares in street name, you may vote or cause shares of common stock to be voted by proxy by following the instructions and procedures provided by your broker, bank or other nominee.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY CARD IN THE ACCOMPANYING REPLY ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET. STOCKHOLDERS WHO ATTEND THE MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON.

If you submit a proxy by telephone or the Internet or by returning a signed proxy card by mail, your shares will be voted at the special meeting as you indicate on your proxy card or by such other method. If you sign your proxy card without indicating your vote, your shares will be voted **FOR** the adoption of the Merger Agreement and

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approval of the Merger and **FOR** the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

If you abstain, your shares of common stock will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of business; however, your shares will not be counted as votes cast or shares voting on the proposals. If you abstain, it will have the same effect as a vote AGAINST the proposals.

If your shares of common stock are held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you do not instruct your broker, bank or other nominee to vote your shares, it has the same effect as a vote AGAINST the proposal to adopt the Merger Agreement and approve the Merger but will have no effect on the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies.

Proxies received at any time before the special meeting, and not revoked or superseded before being voted, will be voted at the special meeting. If you hold your shares in your name as a stockholder of record, you have the right to change or revoke your proxy at any time before the vote taken at the special meeting by:

- delivering to our Corporate Secretary, at 177 Broad Street, Stamford, Connecticut 06901, a signed written notice of revocation, bearing a date later than the date of the proxy, stating that the proxy is revoked;
- attending the special meeting and voting in person (your attendance at the meeting will not, by itself, change or revoke your proxy you must vote in person at the meeting to change or revoke a prior proxy);
- completing, executing and delivering a later dated proxy card; or
- voting again at a later time by telephone or the Internet prior to the time at which the telephone and Internet voting facilities close by following the procedures applicable to those methods of voting.

If you hold your shares through a broker, bank, or other nominee, you have the right to change or revoke your proxy at any time before the vote taken at the special meeting by following the directions received from your broker, bank or other nominee to change or revoke those instructions.

PLEASE DO NOT SEND IN YOUR STOCK CERTIFICATES WITH YOUR PROXY CARD. IF THE MERGER IS COMPLETED, A SEPARATE LETTER OF TRANSMITTAL WILL BE MAILED TO YOU THAT WILL ENABLE YOU TO RECEIVE THE MERGER CONSIDERATION IN EXCHANGE FOR YOUR L-1 STOCK CERTIFICATES.

Adjournments and Postponements

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies. Any adjournment may be made without notice, other than by an announcement made at the special meeting of the time, date and place of the adjourned meeting, provided that if the adjournment is for 30 days or more, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting in accordance with the by-laws of the Company will be given to each stockholder of record entitled to notice of and to vote at the meeting. Whether or not a quorum exists, holders of a majority of the common stock present in person or represented by proxy at the special meeting and entitled to vote may adjourn or postpone the special meeting at any time. Any signed proxies received by us in which no voting instructions are provided on the matter will be voted **FOR** an adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies. Any

adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow our stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

Rights of Stockholders Who Dissent From the Merger

Stockholders are entitled to statutory appraisal rights under Delaware law in connection with the Merger. This means that you are entitled to have the value of your shares of our common stock determined by the Delaware Court of Chancery and to receive payment based on that valuation. The ultimate amount you receive as a dissenting

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stockholder in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the Merger Agreement.

To exercise your appraisal rights, you must submit a written demand for appraisal to us before the vote is taken on the Merger Agreement and you must not vote in favor of the adoption of the Merger Agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. See the section of this proxy statement entitled *Appraisal Rights* and the text of the Delaware appraisal rights statute, Section 262 of the DGCL, reproduced in its entirety as Annex E to this proxy statement. This proxy statement constitutes our notice to our stockholders of the availability of appraisal rights in connection with the Merger in compliance with the requirements of Section 262 of the DGCL.

Solicitation of Proxies

This proxy solicitation is being made and paid for by us on behalf of our board of directors. In addition, we have engaged Morrow & Co., LLC to assist in the solicitation of proxies for the special meeting and we estimate that we will pay Morrow & Co., LLC a fee of approximately $25,000. We also have agreed to reimburse Morrow & Co., LLC for out of pocket expenses and to indemnify them against certain losses arising out of their proxy soliciting services. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid additional compensation for their efforts. We will also request brokers, banks and other nominees to forward proxy solicitation material to the beneficial owners of our shares of common stock that the brokers, banks and nominees hold of record. Upon request, we will reimburse them for their reasonable out-of-pocket expenses related to forwarding the material.

Questions and Additional Information

If you have more questions about the Merger, need assistance in submitting your proxy or voting your shares, or need additional copies of the proxy statement or the enclosed proxy card, you should contact our proxy solicitor:

Morrow & Co., LLC
470 West Avenue
Stamford, CT 06902
Stockholders Call: (877) 366-1578
Banks and Brokers Call: (203) 658-9400

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THE MERGER

Background of the Merger

As part of the ongoing evaluation of business and strategic planning, the Company s board of directors, from time to time has discussed and reviewed strategic goals and alternatives. These reviews have included consideration of potential transactions and business combinations, as well as the Company s standalone business plans and prospects. The Company also has made several acquisitions in recent years, including the acquisition of the assets of Retica Systems, Inc. in 2010, the acquisition of Bioscrypt Inc. and the ID Systems business of Digimarc Corporation in 2008 and the acquisition of Advanced Concepts, Inc., McClendon Corporation and ComnetiX Inc. in 2007.

On January 6, 2010, as part of the Company s press release announcing preliminary results for the fourth quarter and full year ended December 31, 2009, the Company announced that one of its strategic goals and objectives for 2010 was to explore strategic alternatives to enhance stockholder value.

On February 9, 2010, the board of directors met with representatives of various investment banks, including representatives of Goldman, Sachs & Co. (which we refer to in this proxy statement as Goldman Sachs) and Stone Key Partners LLC and the Stone Key Securities division of Hudson Partners Securities LLC (which together we refer to in this proxy statement as Stone Key) to identify financial advisors to assist in the strategic alternatives process. During these meetings, representatives of the financial advisors each separately discussed with the board of directors certain market trends and certain strategic alternatives potentially available to the Company to enhance stockholder value. Representatives of Goldman Sachs and Stone Key also discussed potential processes to ascertain third party interest in an acquisition of the Company, including a publicly announced auction process, noting that certain potential buyers may not be interested in acquiring the Company in its entirety, and, accordingly, a sale of the Company in two or more parts might need to be considered. The financial advisors and the board of directors also discussed preliminary lists of potential buyers of the whole Company, as well as potential buyers of selected parts of the Company.

The board of directors discussed the presentations made by the various investment banks at a telephonic meeting on February 10, 2010. Also on February 10, 2010, as part of the Company s 2009 earnings release and conference call, the Company reported, among other things, that the Company was in the process of exploring strategic alternatives, including the potential sale of the Company.

At a telephonic meeting on February 24, 2010, the board of directors approved the engagement of each of Goldman Sachs and Stone Key (which together we refer to in this proxy statement as the financial advisors) as the Company s financial advisors in connection with the Company s exploration of strategic alternatives to enhance stockholder value, including the possible sale of all or a portion of the common stock or assets of the Company. Prior to approving the engagement of Stone Key, the board of directors considered and evaluated certain relationships among officers of Stone Key, the Company and Aston (see the section of this proxy statement entitled *Interests of Certain Persons in the Merger Relationships with Aston and Stone Key*).

Following the Company s public announcements regarding its exploration of strategic alternatives, representatives of Safran contacted the Company to request that Safran be included in such process. From time to time in prior years, representatives of Safran and the Company had discussed in general terms potential transactions involving the Company and Safran, but had not discussed any particular terms or transactions. On February 25, 2010, representatives of the Company (including Robert V. LaPenta, Chairman of the Board, President and Chief Executive Officer) met with representatives of Safran and its representatives to discuss Safran s request to be included in the

Company s strategic alternatives process.

On February 26, 2010, the Company entered into an engagement letter with Goldman Sachs and, on February 28, 2010, the Company entered into an engagement letter with Stone Key, to act as financial advisors to the Company in connection with the strategic alternatives process (including a potential sale of the Company). On March 1, 2010, the Company publicly announced that it had retained Goldman Sachs and Stone Key in such capacity.

During March 2010, representatives of the financial advisors discussed with members of management the potential process for an auction of the Company and / or its business divisions. During this time, representatives of

the financial advisors met with members of the Company s management to discuss and commence the process of gathering due diligence materials to be made available to potential buyers. The financial advisors also assisted the Company s management in preparing confidential marketing materials that would be provided to potential buyers.

On March 24, 2010, following approval by the board of directors, the Company engaged Skadden, Arps, Slate, Meagher & Flom LLP (which we refer to in this proxy statement as Skadden) as legal counsel to the Company in connection with its exploration of strategic alternatives.

On April 6, 2010, representatives of the financial advisors and Skadden discussed with members of Company management the potential process and timeline for an auction of the Company, including the potential buyers identified by management and the financial advisors that might be contacted in connection with such process. The working group acknowledged that, for a variety of reasons, certain potential buyers may only be interested in an acquisition of the Company s intelligence services business group, while others may only be interested in the Company s identity solutions business group. Among other things, the Company and its advisors discussed the fact that a number of the most interested potential identity solutions group buyers were foreign companies which may be unable to acquire the intelligence services business without addressing significant regulatory hurdles. In this regard, representatives of the financial advisors also discussed with members of management various structures and the process for a potential sale of the Company, including the sale of the whole Company to a single party and a multi-buyer transaction structure whereby the Company s intelligence services business group would be sold to one party simultaneously with or preceding a sale of the Company s identity solutions business group to another party. In addition, representatives of the financial advisors identified approximately 100 potential strategic and financial buyers that may be interested in an acquisition of all or a portion of the Company.

Beginning on April 8, 2010, at the direction of the Company s management, representatives of the financial advisors contacted the approximately 100 parties, including approximately 60 potential strategic buyers and 40 potential financial buyers, and subsequently distributed a form of confidentiality agreement, together with certain publicly available information about the Company, to approximately 70 parties that indicated potential interest in acquiring the Company or one of its business groups. Over the next several weeks, confidentiality agreements were negotiated with the various potential buyers and, ultimately, over 50 potential buyers executed confidentiality agreements with the Company, including Safran (confidentiality agreement executed on May 19, 2010) and BAE (confidentiality agreement executed on May 21, 2010). Upon executing a confidentiality agreement, each potential buyer was provided with confidential marketing materials regarding the Company, including certain financial projections prepared by the management of the Company with respect to the Company and each of the identity solutions and intelligence services business groups. The auction process provided substantially equal access to information throughout the various stages of the process to the potential buyers that remained interested in a transaction with the Company, regardless of the nationality of such buyers. However, CFIUS regulations impose additional regulatory processes on a potential transaction involving certain foreign bidders and, throughout the process, the board of directors, management and the Company s advisors had extensive discussions regarding the incremental consummation and timing risks presented by certain foreign buyers due to the applicable CFIUS regulations. Pursuant to the Merger Agreement, Safran has agreed that it will be obligated to pay the Company a $75 million reverse termination fee if Safran is unable to get CFIUS or other regulatory approvals in connection with the Merger (see the section of this proxy statement entitled *The Merger Agreement Termination Fees and Reimbursement of Expenses* for a description of the circumstances under which such fee is payable).

On April 9, 2010 and April 19, 2010, at telephonic meetings of the board of directors, Mr. LaPenta provided updates to the board of directors regarding the Company s strategic alternatives process.

On May 5, 2010, the board of directors held a regularly scheduled meeting with representatives of the financial advisors and Skadden attending. Representatives of the financial advisors and Skadden reviewed the current status of

the Company s exploration of strategic alternatives, including the various parties that had expressed interest in a potential transaction involving all or a portion of the Company and the status of the confidentiality agreements that were being negotiated with potential buyers. Representatives of Skadden also addressed various regulatory considerations in connection with a potential sale of the Company. At the conclusion of this meeting, the board of directors determined to establish a special committee of the board of directors (which we refer to in this proxy statement as the special committee) to oversee the strategic alternatives process and to report to the board of directors with respect thereto. The board determined that the authority and specific duties of the special committee

would be further discussed and agreed to at a future meeting of the board. The special committee was initially comprised Messrs. Nessen, Lawler and Gudis and, on May 13, 2010, Mr. Rose was added as a member of the committee (each of Messrs. Nessen, Lawler, Gudis and Rose are independent under the NYSE s listing standards). Each member of the special committee is entitled to a fee of $2,000 per meeting of the special committee, which is in addition to the other board of director fees such members are entitled to receive. As of the date of this proxy statement, the special committee has held approximately fifty-two meetings.

Also on May 5, 2010, during the Company s conference call regarding its first quarter 2010 earnings, the Company reported, among other things, that it was continuing the process of exploring strategic alternatives, including the potential sale of the Company.

Beginning in May 2010, the special committee met regularly in respect of the strategic alternatives process. On May 24, 2010, the special committee engaged Steptoe & Johnson LLP (which we refer to in this proxy statement as Steptoe) as legal counsel to the special committee. The special committee considered engaging, but determined not to engage, its own financial advisor.

From May 18, 2010 through June 3, 2010, 15 potential buyers (each of which had executed a confidentiality agreement with the Company) attended summary presentations by Mr. LaPenta and other members of senior management regarding the Company s businesses.

On May 19, 2010, at a telephonic meeting of the board of directors, Mr. LaPenta provided an update on the Company s exploration of strategic alternatives, including the number and identity of parties that had entered into, or were in discussions to enter into, a confidentiality agreement with the Company.

Beginning on May 28, 2010, at the direction of the Company s management and following review and comment by management and the Company s advisors, a bid instruction letter was distributed by the financial advisors to approximately 44 parties (approximately 20 of which were potential strategic buyers and the remainder of which were potential financial buyers). The bid instruction letter requested preliminary, non-binding indications of interest regarding the potential acquisition of 100% of the Company in a single transaction, or the acquisition of either of the Company s identity solutions business group or intelligence services business group, by June 8, 2010.

On June 1, 2010, at a telephonic meeting of the board of directors, Mr. LaPenta provided an update on the strategic alternatives review process. In addition, throughout the month of June, the special committee continued to hold regular meetings with representatives of Steptoe regarding the strategic alternatives review process. Beginning in June 2010, representatives of Skadden and Steptoe were also in frequent contact regarding the process, which matters were reported to the special committee by Steptoe.

On June 8 and 9, 2010, the Company received initial indications of interest from thirteen companies pursuant to the May 28, 2010 bid instruction letter. The responses included one indication of interest which contemplated the acquisition of the entire Company, seven of which contemplated an acquisition of the Company s intelligence services business group and four of which (including an indication of interest from Safran) contemplated an acquisition of the Company s identity solutions business group. An additional indication of interest in respect of the intelligence services business group was also received the following week. Each of the indications of interest contemplated transactions in which the purchase price would be payable in the form of cash. BAE did not submit an initial indication of interest during this time.

On June 9, 2010, the Company filed a Form 8-K disclosing a presentation that was being delivered by the Company at an investor conference. The presentation disclosed that, among other things, the financial advisors were continuing their discussions with a number of interested parties as part of the previously announced strategic alternative process.

On June 10, 2010, the board of directors held a telephonic meeting with representatives of the financial advisors and Skadden at which, among other things, representatives of the financial advisors reviewed the terms of the initial indications of interest that had been received. The Company s financial advisors noted that the whole-company valuation implied by a combination of the identity solutions and intelligence services indications of interest was greater than the single whole-company indication of interest that had been received. At this meeting, the board of directors also adopted resolutions specifying the authority and duties of the special committee, which resolutions had been considered by the special committee at its meetings with Steptoe that had been held during the weeks leading up to the June 10, 2010 board meeting. Pursuant to the resolutions adopted by the board of directors,

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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.

During mid to late June 2010, representatives of the financial advisors engaged with the parties that had submitted initial indications of interest to clarify the terms of the submissions. At the direction of the Company s board of directors, the representatives of the financial advisors also contacted a number of other potential buyers that had not submitted initial indications of interest to assess interest in a potential transaction involving the Company. During this time, Company management and the financial advisors discussed which of the potential buyers might be invited to conduct a due diligence review of the Company and attend presentations by management based on the terms of the initial indications of interest and the subsequent discussions between the Company s financial advisors and the applicable potential buyers. Also during this time, representatives of Skadden engaged in a number of discussions with the financial advisors regarding key considerations implicated by a multi-buyer transaction structure providing for a sale of the entire Company in two separate transactions, including, among other things, conditionality, the process and documentation for concurrent auctions of the two business groups and the key transaction terms expected to require negotiation between a buyer of the identity solutions business group and a buyer of the intelligence services business group in such a multi-buyer transaction structure. Representatives of Skadden also worked with management and the financial advisors to prepare auction drafts of the alternative versions of the transaction agreements that would be delivered to the potential buyers, consisting of: (i) a draft merger agreement providing for a sale of the entire company, (ii) a draft purchase agreement providing for a sale of the stock and membership interests of McClendon, LLC, SpecTal, LLC and Advanced Concepts, Inc. (the Company s subsidiaries comprising the intelligence services business group) and (iii) a draft merger agreement providing for a sale of the Company following the consummation of the sale of the intelligence services business group (with the closing of the sale of remainco conditioned on the prior or concurrent closing of the sale of the intelligence services business group). The Skadden team also prepared a term sheet for distribution to potential buyers of the identity solutions or intelligence services business groups outlining the key terms of the relationship between such buyers in a multi-buyer transaction structure.

On June 21, 2010, at a telephonic meeting of the board of directors, members of the board of directors, management and representatives of the Company s advisors discussed the status of the strategic alternatives process, the management presentations being prepared and the scope of the due diligence review to be undertaken as part of the potential buyers evaluation of a possible transaction involving the Company. The group also discussed each of the potential buyers and potential multi-buyer transaction structures for a sale of the intelligence services business group to one party simultaneously with, or preceding, the sale of the Company s identity solutions business group to another party.

From June 28, 2010 through July 9, 2010, management presentations were conducted for nine of the parties that had submitted initial indications of interest for all or a portion of the Company (including Safran). During the management presentations, members of the Company s management provided the respective parties information concerning the sectors in which the Company operates, the Company s business, operations, technology and intellectual property as well as other matters concerning the Company. During this period, these nine potential buyers (each of which had previously executed a confidentiality agreement) were also granted access to an online data room containing non-public information about the Company, including, among other things, information regarding financial and accounting matters, legal entities, third party contracts, employment matters, intellectual property, regulatory matters and litigation. Buyers interested in an acquisition of the intelligence services business group were provided with access to the portion of the online data room containing due diligence information concerning the intelligence services business group and the legal entities comprising that business group. Buyers interested in the acquisition of the identity solutions business were given access to the portion of the online data room containing due diligence information regarding the identity solutions business as well the Company s corporate structure and other

corporate-level matters because it was contemplated that, in the context of a multi-buyer transaction, a purchaser of the identity solutions business group would acquire the Company concurrently with, or following, a sale of the intelligence services business group. During the course of the due diligence process, the Company, with the assistance of its financial and legal advisors, made certain additional materials available through the online data room. Additional materials regarding the identity solutions business group were generally

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made available to all potential buyers of that business group who remained interested in pursing a transaction at the time the information was made available, and additional materials regarding the intelligence services business were generally made available to all potential buyers of that business group who remained interested in pursing a transaction at the time the information was made available. In the case of the intelligence services business group, the Company (in consultation with outside counsel) limited access by strategic buyers to certain information that was determined to be competitively sensitive. In addition, during the course of the diligence review, potential buyers were given substantially similar access to members of the Company s management team in connection with their due diligence review, and in response to requests by potential buyers, the Company held calls with a number of potential buyers to address supplemental diligence questions. Subsequent to the management presentations and prior to being given access to the online data room, the potential buyer that had previously expressed an interest in an acquisition of the entire Company communicated to the financial advisors that it no longer wished to pursue a whole-company transaction, but that it was interested in a potential acquisition of only the identity solutions business group. Accordingly, such potential buyer was given access to the same diligence information provided to other potential buyers of the identity solutions business group.

On July 1, 2010, at a telephonic meeting, the board of directors received an update from Mr. LaPenta on the strategic alternatives process and the management presentations that had taken place to date.

On July 2, 2010, the special committee held a telephonic meeting to discuss, among other things, recent developments with respect to the strategic alternatives process and certain amounts that would become payable to executive officers of the Company upon a change of control of the Company under pre-existing contracts with such executives. Representatives of Steptoe advised the special committee.

On July 3, 2010, at the direction of the Company s management and following discussions with representatives of Steptoe, representatives of the financial advisors distributed the applicable forms of the auction draft transaction agreements and multi-buyer term sheets to the four potential buyers interested in the Company s identity solutions business group (including Safran) and the five potential buyers interested in the Company s intelligence services business group.

On July 6, 2010, the board of directors held a telephonic meeting, with representatives of the financial advisors and Skadden attending. The board of directors received an update on the current status of the process, including the management presentations conducted to date and the draft transaction agreements that had been distributed to the potential buyers. Representatives of Skadden also reviewed with the board of directors their fiduciary duties in connection with the strategic alternatives process.

During early July 2010, at the direction of the Company s management, representatives of Skadden and the financial advisors held calls with certain potential buyers, including Safran, to discuss the proposed multi-buyer transaction structure (including the matters addressed by the term sheet that had previously been distributed) and to answer questions from the potential buyers. In addition, throughout July and early August 2010, the potential buyers continued their due diligence review of the Company and certain of the potential buyers communicated to the financial advisors that they were no longer interested in pursuing a possible transaction due to various factors. Based on feedback received by the financial advisors from these potential buyers, these factors included (i) that the applicable buyer was not in a position to offer financial terms competitive with other potential buyers and (ii) that the applicable buyer had determined that a transaction with the Company would not be a proper strategic fit in light of such buyer s views in respect of its business and operations and/or factors relating the economic environment and the industries in which the Company and the buyer operate. The potential buyers that remained interested in a transaction with the Company were given access to hard copy data rooms containing additional due diligence information, including additional contracts to which the Company was a party. In cases where the review of due diligence information in the hard copy data room required security clearance, access to the hard copy data rooms was restricted

to those representatives of the potential buyers that had the requisite security clearances. In addition, during this time, the Company and its advisors had discussions with representatives of Safran and another potential foreign buyer of the identity solutions business regarding CFIUS and related regulatory matters.

On July 26, 2010, following review and comment by management, Skadden, Steptoe and the financial advisors, and at the direction of the Company s management, a final bid instruction letter was distributed to (i) the three potential buyers that continued to be interested in an acquisition of the Company s identity solutions business

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group (including Safran) and (ii) the three potential buyers that continued to be interested in an acquisition of the Company s intelligence services business group. The final bid instruction letter requested that each potential buyer submit, by August 10, 2010, a final written proposal for the potential acquisition of the applicable business group, together with a markup of the relevant transaction documents that had previously been delivered to the parties. Representatives of the financial advisors also communicated to the potential buyers that they were invited to submit markups of the applicable transaction documents prior to the final bid deadline with a view to receiving (and revising their markups in response to) feedback from the Company and Skadden regarding such markup. Subsequent to the distribution of the final bid instruction letter, two of the potential buyers that had previously expressed an interest in an acquisition of the Company s identity solutions business group, and one of the potential buyers that had previously expressed an interest in an acquisition of the Company s intelligence services business group, indicated that they were no longer interested in a potential transaction. Consequently, Safran emerged as the only active participant in the sale process for the identity solutions group, and two bidders (which, at the time, did not include BAE) remained engaged in the sale process for the intelligence services group.

On July 27, 2010, the board of directors held a meeting at the Company s corporate headquarters in Stamford, Connecticut. During this meeting, members of management reviewed with the board of directors several ordinary course business matters, including the Company s second quarter financial results. Mr. LaPenta also provided an update to the board of directors as to the strategic alternatives review process and the current status of discussions with the potential buyers.

On July 28, 2010, the special committee held a meeting at the offices of Steptoe in New York City, with representatives of Steptoe, the financial advisors and Skadden in attendance. The group discussed, among other things, the current status of discussions with potential buyers, as well as the proposed structures for the sale of the Company s intelligence services business group and identity solutions business group in a multi-buyer transaction. The financial advisors also discussed their preliminary financial analyses of certain strategic alternatives potentially available to the Company.

Also on July 28, 2010, during the Company s conference call regarding its second quarter 2010 earnings, the Company reported on, among other things, the progress of the strategic alternatives review process, including that the Company had received initial indications of interest from multiple parties, both domestic and foreign.

On July 29, 2010, the Company engaged McDermott, Will & Emery (which we refer to in this proxy statement as McDermott) as outside antitrust counsel to the Company in connection with the strategic alternatives review process.

On July 30, 2010, representatives of Safran delivered a markup of the merger agreement providing for the sale of the Company s identity solutions business group that had previously been distributed to potential buyers of that business group.

On August 3 and 5, 2010, the Company provided revised projections prepared by the Company s management to the potential buyers, which projections included revised earnings before interest, taxes, depreciation and amortization, or EBITDA, figures for 2010. The 2010 EBITDA figures were revised to reflect the Company s actual results for the six-month period ended June 30, 2010, which were contained in the financial statements included in the Company s Quarterly Report on Form 10-Q for the period ended June 30, 2010 that was filed with the SEC on July 27, 2010.

On August 4, 2010, representatives of the Company and its regulatory counsel had a meeting with the Defense Security Service to engage in preliminary discussions regarding the possibility of a transaction involving the Company. During this meeting, the Company reported to the Defense Security Service that it was in discussions with a number of potential domestic and foreign buyers.

On August 5, 2010, representatives of Skadden discussed the terms of the markup submitted by Safran with representatives of Weil, Gotshal & Manges LLP (which we refer to in this proxy statement as Weil) and Kaye Scholer LLP, outside counsel to Safran. The Skadden team clarified certain aspects of the proposed multi-buyer transaction structure and identified certain aspects of Safran s markup that should be improved in order to make Safran s markup (and, accordingly, Safran s forthcoming acquisition proposal) more attractive to the Company, including, among other things, matters relating to termination fees and efforts to obtain regulatory approvals.

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On August 6, 2010, a potential financial buyer that had expressed interest in the intelligence services business group (which we refer to in this proxy statement as Bidder X) submitted a markup of the purchase agreement for the acquisition of the intelligence services business group. On August 9, 2010, representatives of Skadden discussed the terms of this markup with Bidder X and its outside counsel.

On August 10, 2010, Safran submitted a final bid for the acquisition of the identity solutions business group, together with a markup of the merger agreement that had been revised from the markup previously submitted on July 30, 2010, including to incorporate certain of the August 5th discussions among the parties respective outside counsel. Safran s final bid contemplated an acquisition of the identity solutions business group at an enterprise value of $1.225 billion. Among other things, Safran s final bid indicated that Safran would require Mr. LaPenta and Aston Capital Partners L.P. (which we refer to in this proxy statement as Aston) sign a voting and support agreement with respect to the transaction with Safran (see the section of this proxy statement entitled *Interests of Certain Persons in the Merger Relationships with Aston and Stone Key* for information regarding Aston). Safran s final bid also included a request that the Company enter into an exclusivity agreement with respect to the identity solutions business group. Also on August 10, 2010, Bidder X and another potential financial buyer for the intelligence services business group (which we refer to in this proxy statement as Bidder Y) submitted final bids for the acquisition of the intelligence services business group, together with markups of the auction draft purchase agreement for that business group. Bidder X s markup had been revised from the August 9th markup previously submitted, including to incorporate certain of the August 9th discussions between Bidder X s counsel and representatives of Skadden.

On August 11, 2010, the special committee held a meeting at the offices of Steptoe in New York City, with representatives of Steptoe, the financial advisors and Skadden in attendance. The group reviewed and discussed the final bids that had been received the prior evening. Following the special committee meeting, the board of directors held a telephonic meeting, including representatives of the financial advisors, Skadden and Steptoe. Representatives of the financial advisors provided an update to the board of directors regarding the final bids received the prior evening. The financial advisors discussed their preliminary financial analyses of a potential sale of the Company assuming separate sales of the intelligence services business group and of the identity solutions business group. At the conclusion of the meeting, the board of directors authorized the financial advisors and Skadden to revert to Safran and the potential buyers of the intelligence services business group to work to improve the terms of the bids submitted.

On August 12, 2010, the special committee held another meeting at the offices of Steptoe, with representatives of Steptoe in attendance. The special committee continued discussions of the final bids that were submitted and also reviewed other potential strategic alternatives, including (i) continuing to operate the Company on a standalone basis, (ii) selling only the intelligence services business group and using the proceeds to reduce the Company s outstanding indebtedness and (iii) refinancing the Company s existing debt. The special committee continued to hold regular meetings in respect of the strategic alternatives process throughout August.

From August 12, 2010 through August 20, 2010, representatives of Skadden exchanged draft term sheets with Safran, Bidder X and Bidder Y regarding certain key issues raised by each potential buyer s markup of the applicable transaction agreement. Principal issues under discussion included financial terms, whether the closing of the sale of the intelligence services group would be conditioned on the closing of the identity solutions business group, the extent of efforts required by the parties to obtain regulatory approvals, termination rights, termination fees and, in the case of Bidder X and Bidder Y, provisions related to buyer financing. In the case of Safran, these discussions included negotiations regarding, among other things, the force the vote provision requested by Safran, the circumstances under which the Company s board of directors could consider alternative proposals and change their recommendation in favor of the merger agreement and the size of the termination fee which would be payable in certain circumstances. The initial auction drafts sent to bidders for the identity solutions group included certain provisions addressing these matters; however, Safran s markup of the merger agreement generally proposed to, among other things, narrow the circumstances in which the board of directors could consider alternative proposals and change their recommendation

and proposed a specific dollar amount for the termination fee. During this period, at the direction of the Company s board of directors, representatives of the Company s financial advisors also contacted parties that had previously expressed interest in the intelligence services business (but which were not active participants in the sale process at that time), including BAE and an additional potential financial buyer that

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had not previously submitted an indication of interest (which we refer to in this proxy statement as Bidder Z). Also, during this time, each of Safran, Bidder X, Bidder Y and their respective advisors continued their due diligence efforts, which included, from time to time, discussions with representatives of the Company and its financial and legal advisors.

On August 17, 2010, following the exchange of various draft term sheets and discussions with the Company s financial and legal advisors regarding the terms of its proposed bid, Safran submitted a revised final bid which, among other things, provided for an increase in Safran s proposed purchase price to an enterprise valuation for the identity solutions business group of $1.275 billion and certain improved terms (including in respect of regulatory approvals and termination fees). The revised proposal letter reiterated Safran s exclusivity and voting and support agreement requests.

On August 18, 2010, the special committee held a telephonic meeting, with representatives of Steptoe, Skadden and the financial advisors in attendance. The group reviewed the terms of Safran s revised final bid and the ongoing discussions with Safran. Representatives of the financial advisors also updated the special committee on ongoing discussions with potential buyers of the intelligence services business group and noted that Bidders X and Y had not submitted revised financial terms from the bids that they had previously submitted.

On the morning of August 19, 2010, the Company issued a press release providing an update on the strategic alternatives process. The press release disclosed that the Company had received bids from several interested parties and that the Company continued to evaluate the various proposals. Later that morning, the board of directors held a telephonic meeting with representatives of the financial advisors, Skadden and Steptoe in attendance. Representatives of the financial advisors provided an update to the board of directors regarding Safran (including the terms of its revised August 17th bid), as well as discussions with the potential buyers for the intelligence services business group. Among other things, the board of directors discussed entering into an exclusivity agreement with Safran with respect to the identity solutions business group and, after weighing the advantages and disadvantages of such an agreement and discussing other parties that may potentially be interested in the identity solutions business group, the board of directors authorized management to enter into an exclusivity agreement with Safran.

Also on August 19, 2010, following a series of discussions with representatives of Stone Key, BAE communicated an interest in a potential acquisition of the Company s intelligence services business group and was given access to the online data room to conduct due diligence in respect of the intelligence services business group as well as a hard copy data room containing certain contracts to which the Company was a party and which had been provided to other potential buyers of the intelligence services business group. Representatives of BAE communicated to representatives of Stone Key that, subject to due diligence, BAE may be willing to consider a purchase price for the intelligence services business group of at least $300,000,000 (a purchase price in excess of the range of prices contemplated by each of Bidders X and Y). A draft purchase agreement for the acquisition of the intelligence services business group was sent to BAE on August 20, 2010. Also on August 20, 2010, following discussions between representatives of Bidder Z and representatives of Stone Key, Bidder Z was given access to the online data room and a draft purchase agreement for the intelligence services business group was delivered to Bidder Z. The draft purchase agreements delivered to BAE and Bidder Z incorporated certain revisions based on comments from Bidder X s and Bidder Y s mark-ups of the auction draft of the purchase agreement. Further, the purchase agreement delivered to BAE incorporated certain provisions relating to regulatory matters applicable to a foreign strategic buyer. In addition, representatives of Skadden sent a draft exclusivity agreement with respect to the Company s identity solutions business group to Weil as counsel to Safran.

On August 21, 2010, representatives of Skadden delivered a revised draft merger agreement to Weil incorporating certain terms that had been addressed by the parties during the exchange of term sheets. Representatives of Skadden and Weil also exchanged drafts of the proposed exclusivity agreement. An exclusivity agreement providing for a

period of exclusive negotiations through September 3, 2010 was executed by the Company and Safran later that day.

From August 21, 2010 through August 23, 2010, representatives of Skadden and the financial advisors continued to exchange term sheets with Bidder Y in respect of Bidder Y s previously submitted bid for the intelligence services group and continued ongoing discussions with BAE, Bidder X and Bidder Z. During this time, representatives of Skadden and the financial advisors worked to negotiate the most favorable transaction terms with

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these parties, including maximum price and, in the case of bidders X and Y, minimum financing conditionality. In addition, during this time the Company s management, with the assistance of the Company s financial and legal advisors, began exploring the possibility of spinning-off the Company s intelligence services business group in conjunction with a sale of the remaining Company to Safran.

On August 23, 2010, the special committee held a telephonic meeting with representatives of Steptoe in attendance to review various matters related to the strategic alternatives process. That afternoon, the board of directors also held a telephonic meeting with representatives of the financial advisors, Skadden and Steptoe attending. The Company s advisors provided an update to the board of directors regarding Safran and the potential intelligence services buyers. The board of directors discussed a request from Bidder Y for a period of exclusive negotiations in respect of the intelligence services business group. After weighing the advantages and disadvantages of exclusivity, including a discussion of the other parties that may potentially be interested in acquiring the intelligence services business group (including the status of BAE and Bidders X and Z), the board of directors determined not to enter into an exclusivity agreement with Bidder Y at that time. Also at the meeting, members of management discussed with the board of directors certain projections prepared by management that had previously been distributed to potential buyers and the possible need to deliver revised projections with respect to certain forecasted metrics for the 2013 and 2014 fiscal years reflecting management s best estimates and current views concerning, among other things, growth rates in future years, competition in the industry, various contracts that were to come up for re-compete and other revised business expectations. After subsequent discussion among the board of directors and the special committee, the revised projections prepared by management were distributed to Safran on August 30, 2010. Following the meeting of the board of directors, the special committee held an additional telephonic meeting with representatives of Steptoe to review the various matters that had been discussed at the meeting of the board of directors.

On August 23 and 24, 2010, representatives of Skadden and Weil continued to discuss the terms of the draft merger agreement.

On August 24, 2010, the special committee held a telephonic meeting, with representatives of Steptoe and the financial advisors in attendance. The special committee discussed potential strategic alternatives available to the Company (including the potential sale transactions contemplated by ongoing discussions with bidders). The special committee reconvened with representatives of Steptoe later that evening and on August 25, 2010 to continue their discussions.

On August 25, 2010, representatives of Weil delivered a further revised draft of the merger agreement to Skadden. Also on August 25, 2010, representatives of the Company, Safran and their respective regulatory counsel had a meeting with the Defense Security Service to discuss matters regarding a potential acquisition of the Company by Safran, including the regulatory review process that would be implicated as a result of Safran being a non-U.S. entity.

Also on August 25, 2010, Bidder Y contacted the financial advisors to communicate Bidder Y s intention to reduce its proposed purchase price on account of the absence of a working capital adjustment with respect to the intelligence services business group, as had been discussed during the exchange of term sheets with Bidder Y.

On August 26, 2010, representatives of Skadden discussed with representatives of Crowell & Moring LLP (which we refer to in this proxy statement as Crowell), outside counsel to BAE, aspects of the draft purchase agreement that had previously been provided to BAE. In addition, on August 26, 2010, Bidder Z indicated to the Company s financial advisors that it could not significantly increase its purchase price beyond the price indicated in its initial indication of interest. Bidder Z did not officially contact the financial advisors to withdraw itself from the process, but no further negotiations took place with Bidder Z regarding a potential transaction in light of Bidder Z s inability to raise its purchase price within a range that was competitive with the pricing under discussion with BAE.

Also on August 26, 2010, the special committee held a telephonic meeting, with representatives of Steptoe and the financial advisors in attendance. The special committee discussed potential strategic alternatives available to the Company. Representatives of the financial advisors also provided an update regarding Safran and the potential intelligence services buyers and discussed their preliminary financial analysis of a potential sale of the Company and a potential spin-off of the Company s intelligence services business group.

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On August 27, 2010, the special committee held a telephonic meeting, with representatives of Steptoe in attendance. Representatives of the financial advisors and Skadden were invited to join the latter portion of the meeting. The Company s advisors updated the special committee as to the status of negotiations with Safran and the potential intelligence services buyers. Representatives of Skadden also reviewed with the special committee certain matters regarding the BAE purchase agreement that had been raised by Crowell on behalf of BAE. At the meeting, representatives of the financial advisors also reported that Bidder Y had resubmitted its prior request for an exclusivity agreement with respect to the intelligence services business group and that Bidder Y stated that it was not willing to engage in further discussions without exclusivity. Following an extended discussion (including a review of the other parties that were potentially interested in the intelligence services business group, including BAE), the special committee determined to recommend that the Company not enter into an exclusivity agreement with Bidder Y at that time in order to give other potentially interested parties more time to submit their bids. After the meeting, at the direction of the special committee, representatives of Goldman Sachs relayed this determination to Bidder Y and, in response, Bidder Y subsequently notified the Company in writing that it was no longer interested in pursuing a potential transaction involving the Company.

On August 29, 2010, representatives of Skadden sent a revised draft of the merger agreement to Weil and, on August 30, 2010, engaged in discussions with representatives of Weil regarding the draft.

On August 30, 2010, the special committee met telephonically, with representatives of Steptoe, the financial advisors and Skadden in attendance. Following an update regarding Safran and the potential intelligence services buyers, representatives of the financial advisors separately discussed with the special committee their preliminary financial analyses of a potential transaction with Safran (using illustrative purchase prices for the intelligence services business group) and a potential spin-off of the intelligence services business group in lieu of a sale to a third party, and the group discussed certain financial analyses in respect of this scenario.

On August 31, 2010, the board of directors held a telephonic meeting, with representatives of the financial advisors, Skadden and Steptoe in attendance. Representatives of the financial advisors reported on their discussions with Safran s financial advisors, including the possibility of a spin-off of the intelligence services business group in lieu of a sale to a third party and the possibility of entering into and announcing an acquisition agreement with Safran without a definitive agreement for the disposition of the intelligence services business group in place at the time of such announcement. At this meeting, representatives of the financial advisors also reviewed with the full board of directors the preliminary financial analyses that had been discussed with the special committee the prior day. Following the board of directors meeting, the special committee held a telephonic meeting with representatives of Steptoe to review the current status of discussions with Safran and the potential intelligence services buyers.

Also on August 31, 2010, BAE submitted an indication of interest to Stone Key in respect of the intelligence services business group, with a proposed purchase price of $305,000,000 (on a cash and debt-free basis, subject to the inclusion of certain indemnification provisions in the draft purchase agreement and inclusive of certain assumed obligations). On September 1, 2010, representatives of the financial advisors and Skadden met with management of BAE at the offices of Stone Key in Greenwich, Connecticut. At this meeting, the group discussed BAE s proposal, including the purchase price for the acquisition, the applicable adjustments to the purchase price and certain obligations to be assumed by BAE as part of the transaction. The parties also discussed certain aspects of the draft purchase agreement, including, among other things, indemnification rights, allocation of liabilities, conditionality and certain matters related to employees of the Transferred Intel Companies and, as a result of such discussions and BAE agreeing to forego any indemnification rights in respect of breaches of representations and warranties, representatives of BAE indicated a revised total purchase price of $303,000,000 (inclusive of certain assumed obligations). Following the meeting with BAE, the special committee and, thereafter, the board of directors, convened telephonic meetings to receive an update from the Company s financial and legal advisors regarding the day s meetings with BAE and the

terms of BAE s proposal.

Later in the evening of September 1, 2010, representatives of Weil sent a revised merger agreement to Skadden.

Throughout the first two weeks of September, the special committee met frequently (with representatives of Steptoe in attendance for all meetings and representatives of the financial advisors and Skadden in attendance for certain meetings) to discuss the status of discussions with Safran and BAE and related matters. During this period,

the board of directors also held three meetings to discuss similar matters, with representatives of the financial advisors, Skadden and Steptoe in attendance.

On September 2, 2010, BAE submitted a markup of the draft purchase agreement for the acquisition of the intelligence services business group.

On September 3, 2010, following approval by the board of directors, the Company extended its exclusivity agreement with Safran through September 10, 2010. The exclusivity agreement was further extended on September 10, 2010 through September 17, 2010 following approval by the board of directors. On September 4, 2010, in connection with negotiations between Safran and the Company to finalize the price per share merger consideration, Goldman delivered to Safran and its advisors an estimate provided by the Company of net debt of $464,800,000 as of December 31, 2010, before the payment of transaction costs, which assumed that the Merger and BAE Transaction would not have occurred prior to January 1, 2011, and included other assumptions regarding operating results and cash flows.

Throughout early September 2010, the Company, BAE and their respective counsel continued to negotiate the terms of the intelligence services business group purchase agreement, and the Company, Safran and their respective counsel continued to negotiate the merger agreement and the voting and support agreement in respect of the acquisition of the Company s identity solutions business group. During this time, representatives of the Company s financial advisors also engaged in discussions with representatives of Safran s financial advisors concerning the price per share of Company common stock to be paid by Safran in the proposed merger (previously, Safran had proposed a purchase price for the identity solutions group on an enterprise value basis). Also during this time, each of BAE, Safran and their respective representatives and advisors continued their due diligence efforts, which included, from time to time, discussions with representatives of the Company and its financial and legal advisors.

During the first two weeks of September, the Company, BAE, certain members of senior management of the intelligence services business group and their respective counsel negotiated the terms of a retention and bonus plan for a group of certain intelligence services business group employees and severance arrangements and non-competition agreements for three senior members of the intelligence services business group.

On September 9, 2010, upon the approval of each of Safran and BAE, representatives of Skadden provided Weil with selected portions of the BAE purchase agreement and provided Crowell with certain portions of the Safran merger agreement (including, among others, closing conditions), in each case, on a no-names basis. On September 13, 2010, the Company, Safran and BAE entered into a Co-Buyer Disclosure Agreement, pursuant to which the identities of Safran and BAE were disclosed to one another and, in accordance with the terms of the Co-Buyer Disclosure Agreement, Skadden delivered to representatives of Weil the current draft of the BAE purchase agreement and delivered to representatives of Crowell the current draft of the Safran merger agreement.

From September 14 through September 16, 2010, the Company, BAE and their respective counsel continued to negotiate the terms of the intelligence services business group purchase agreement, and the Company, Safran and their respective counsel continued to negotiate the terms of the identity solutions merger agreement. During this time, the parties discussed various matters including, among other things, the allocation of liabilities between Safran and BAE. In addition, during this time, representatives of Safran, the Company and their respective financial advisors continued their discussions in respect of the translation of Safran s proposed identity solutions enterprise value into a price per share of Company common stock. In light of the structure of the sale process (whereby Safran was bidding on the identity solutions business group), discussions regarding Safran s proposed purchase price had previously centered on an aggregate enterprise value for the identity solutions group. As discussions with both Safran and BAE progressed toward a combined transaction ultimately providing for a fixed per share merger consideration to the Company s stockholders, it was necessary to agree upon that fixed per share price with Safran (which required, among other things, agreement as to the number of shares projected to be outstanding as of closing, the outstanding debt of the

Company as of closing and expected transaction expenses payable by the Company). In the discussions of the price per share to be paid in the Merger, Safran took the position that such price per share was tied to the BAE purchase price on a dollar-for-dollar basis, in that the proceeds to be received in the BAE transaction were included in the pool of funds (together with the price to be paid by Safran for the identity solutions group) to be divided among stockholders after providing for the repayment of indebtedness and the payment of transaction expenses.

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Also during the period from September 14 through September 16, 2010, the special committee continued to hold regular telephonic meetings (with representatives of Steptoe and, in certain cases, the financial advisors and Skadden, in attendance), to discuss, among other things, the status of discussions with Safran and BAE. On September 15, 2010, the board of directors held a telephonic meeting with representatives of the financial advisors, Skadden and Steptoe. The group discussed the status of discussions with Safran and BAE and the price per share contemplated by a combined BAE and Safran transaction. The group also discussed potential alternatives that may be available to the Company if the Company were not able to reach final agreement on a transaction with either Safran or BAE on terms that the board of directors determined to be favorable to the Company s stockholders.

As of the close of business on September 16, 2010, BAE and the Company had resolved the principal open items in the BAE purchase agreement, other than with respect to the allocation of certain liabilities between BAE and Safran. During the evening of September 16, 2010, representatives of Skadden and the financial advisors engaged with BAE management and representatives of Crowell and reached a proposed compromise position in respect of such liability allocation matters (subject to the agreement of Safran).

With respect to the Safran merger agreement, discussions regarding purchase price and certain open matters in the draft merger agreement continued among Safran, the Company and their respective financial and legal advisors through the evening of September 16, 2010. During the late morning of September 17, 2010, representatives of Safran delivered a package of compromise positions with respect to key open items in the draft merger agreement (including certain regulatory and employment matters), and a proposed per share price of $11.93. Also during the morning of September 17, 2010, representatives of BAE confirmed a purchase price for the intelligence services business group of $303,000,000 (comprising $295,833,000 in cash and approximately $7,291,000 of certain assumed obligations related to payments to officers and employees of the Transferred Intel Companies under the Intel Companies Special Employee Plan to be adopted in connection with the BAE Transaction (see the section of this proxy statement entitled *BAE Agreement Representations and Warranties, Termination Rights, Covenants and Certain Employee Matters*)), on a cash and debt-free basis and subject to certain adjustments, and representatives of the Company s financial advisors communicated this purchase price to representatives of Safran. Representatives of Skadden continued to engage with representatives of Weil throughout the day on September 17, 2010, during which time all remaining key open items in the Safran merger agreement (other than purchase price) were resolved, including matters relating to the allocation of liabilities between Safran and BAE. During this time, Company management and representatives of the Company s financial advisors also had a number of discussions with Safran management and representatives of Safran s financial advisors. At the conclusion of these discussions, Safran agreed to increase its proposed purchase price for the acquisition of the Company (following the sale of the intelligence services business group) to $11.97 per share of Company common stock and, during further discussions on the morning of September 18, 2010, Safran agreed to proposed merger consideration of $12.00 per share in cash, which price assumed the Company s receipt of net proceeds to be paid by BAE for the intelligence services business group pursuant to BAE s proposal.

On the afternoon of September 18, 2010, the special committee held a telephonic meeting, with representatives of Steptoe, the financial advisors and Skadden in attendance. The Company s advisors updated the special committee as to the status of discussions with Safran and BAE and reviewed the proposed terms of the BAE purchase agreement and the Safran merger agreement. Representatives of Goldman Sachs and Stone Key made separate presentations with respect to their financial analyses of Safran s proposed merger consideration of $12.00 per share in cash. Representatives of Skadden then addressed the status of negotiations and the key terms of the proposed agreements. Later that evening, the special committee held another telephonic meeting, with representatives of Steptoe in attendance, and unanimously resolved to recommend that the full board of directors consider and approve the execution, delivery, performance and consummation of the Safran merger agreement and BAE purchase agreement and the transactions contemplated thereby as advisable and in the best interests of the Company and its stockholders.

Following the special committee meeting, on the evening of September 18, 2010, the board of directors held a telephonic meeting. Representatives of the financial advisors, Skadden, McDermott and Steptoe were also in attendance. At the meeting, representatives of Goldman Sachs and Stone Key each made presentations as to their financial analyses with respect to Safran s proposed merger consideration of $12.00 per share in cash (which presentations had been shared with the special committee earlier in the day and circulated to the full board of

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directors prior to the meeting). Each of Goldman Sachs and Stone Key then separately delivered to the board of directors its oral opinion, which was subsequently confirmed in writing, dated September 19, 2010, in the case of Goldman Sachs, and dated September 18, 2010, in the case of Stone Key, that, as of such date, and based on and subject to the various limitations and assumptions described in the applicable opinion, the $12.00 per share in cash to be paid to the holders (other than Safran and its affiliates) of the outstanding shares of common stock of the Company pursuant to the merger agreement was fair from a financial point of view to such holders (copies of the written opinions of Goldman Sachs and Stone Key are attached to this proxy statement as Annex C and Annex D, respectively). The board of directors then discussed with Company management and representatives of the financial advisors and legal counsel the proposed transactions with each of Safran and BAE, and representatives of Skadden reviewed the terms of the proposed Safran merger agreement and BAE purchase agreement (including the matters that had been reviewed with the special committee earlier in the day). In addition, representatives of Skadden again reviewed with the board of directors its fiduciary duties in connection with the review and, if applicable, approval of the proposed transactions. The group also discussed certain risks associated with the Safran merger and the BAE transaction and the rationale for entering into the proposed transactions, including a discussion of the factors described in the section of this proxy statement entitled *Reasons for the Merger; Recommendation of Our Board of Directors.*

After careful consideration, the board of directors, upon the unanimous recommendation by the special committee, unanimously voted to adopt resolutions approving and declaring advisable the execution, delivery and performance of the Safran merger agreement and the BAE purchase agreement and the transactions contemplated thereby (including the Safran merger), and determined that the merger agreement, the purchase agreement and the transactions contemplated thereby (including the Safran merger) were advisable and in the best interests of the Company s stockholders.

Through the night of September 18, 2010 and into the morning of September 19, 2010, the parties worked to finalize the terms of the Safran merger agreement and the BAE purchase agreement in accordance with the terms discussed with the board of directors and, in the afternoon of September 19, 2010, the parties executed and delivered the Safran merger agreement, the voting and support agreement, the BAE purchase agreement and certain related documents. Prior to the open of trading in the European securities markets and the NYSE on September 20, 2010, each of the Company, Safran and BAE issued press releases announcing the transactions.

Reasons for the Merger; Recommendation of Our Board of Directors

Our board of directors, with the advice and assistance of our management and legal and financial advisors, at a meeting on September 18, 2010, carefully evaluated the proposed Merger, including the terms and conditions of the Merger Agreement and the BAE Agreement. Our board of directors unanimously (i) determined that the Merger Agreement and the Merger are advisable and in the best interests of the Company and its stockholders, (ii) approved the Merger Agreement and the Merger and (iii) resolved to recommend the adoption of the Merger Agreement and approval of the Merger to our stockholders.

In the course of reaching its determination, our board of directors consulted with our management and its legal and financial advisors and considered a number of substantive factors and potential benefits of the Merger. Our board of directors believed that, taken as a whole, the following factors supported its decision to approve the proposed Merger:

- the board of directors familiarity with the Company s business, operations, assets, properties, business strategy and competitive position and the nature of the industries in which the Company operates, industry trends, and economic and market conditions, both on a historical and on a prospective basis;

the financial condition and prospects of the Company, as well as the risks involved in achieving those prospects and the risks and uncertainties associated with operating the Company s business, including:

- risks described in the Company s filings with the SEC;
- certain macroeconomic factors, including the impact of potential budget cuts and delays in key defense and homeland security programs, shortfalls in state and local government funding and the material impact of the global economic downturn, and how these factors could impact the Company; and

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the Company s current financial plan, including the risks associated with achieving and executing upon the Company s business plan, in particular the risks of slower adoption of the Company s new products and services, delays in the awarding of certain contracts and increased pressure from competitors;

the fact that the Company conducted an extensive and thorough strategic alternatives review process that was first publicly-disclosed in January 2010 and included the assistance of Goldman Sachs and Stone Key beginning in March 2010;

the board of directors belief that, after consideration of potential alternatives, the Merger is expected to provide greater benefits to the Company s stockholders than the range of possible alternatives to the sale of the Company, including continuing to operate the Company on a standalone basis, the sale or other disposition of one or more of the Company s businesses without a sale of the whole Company and other strategic alternatives;

the board of directors assessment, after discussions with the Company s management and advisors, of the risks of remaining an independent company and the prospects of the Company going forward as an independent entity, including the risks that the Company would not be in compliance with the financial covenants contained in the Company s credit agreement and would need to refinance its debt on a long-term basis;

the fact that the $12.00 per share merger consideration contemplated to be received by the Company s stockholders in connection with the Merger represents a premium to historic trading prices, including (i) a premium of 66% over the closing sale price of $7.23 on the New York Stock Exchange on January 5, 2010, the trading day prior to the Company s public announcement of its strategic alternatives review process and (ii) a premium of approximately 24% over the closing sale price of $9.70 on the New York Stock Exchange on September 17, 2010, the last trading day prior to announcement of the Merger;

(i) the financial analysis presented by Goldman Sachs, as well as the oral opinion of Goldman Sachs, which was later confirmed in writing, that, as of September 19, 2010, and based upon and subject to the limitations and assumptions set forth therein, the $12.00 per share in cash to be paid to the holders (other than Safran and its affiliates) of the outstanding shares of common stock of the Company pursuant to the Merger Agreement was fair from a financial point of view to such holders; and (ii) Stone Key s opinion that, as of September 18, 2010, and based upon and subject to the qualifications, limitations and assumptions set forth therein, the $12.00 per share in cash to be received by holders of our common stock pursuant to the Merger Agreement was fair, from a financial point of view, to such holders;

the form of consideration to be paid to holders of shares in the Merger is cash, which will provide certainty of value and immediate liquidity to the Company s stockholders;

the board of director s review, with the Company s advisors, of the structure of the Merger and the BAE Transaction, and the financial and other terms of the Merger Agreement and the BAE Agreement. In particular, the board of director considered the following specific aspects of the Merger Agreement, among others:

the ability of the board of directors to withdraw or modify its recommendation of the Merger or the Merger Agreement, or recommend, adopt or approve an Acquisition Proposal, upon receipt of a Superior Proposal or upon the occurrence of an Intervening Event (as such terms are defined in the Merger Agreement and described in the sections of this proxy statement entitled *The Merger Agreement Restrictions on Solicitations of Other Offers* and *The Merger Agreement Change of Recommendation*), in each case, if the failure to take such action would be reasonably likely to be inconsistent with the directors fiduciary duties and subject to payment of a termination fee of $25,000,000 to Safran (as discussed in the section of

this proxy statement entitled *The Merger Agreement Termination Fees and Reimbursement of Expenses*);

the circumstances under which the termination fee is payable by the Company to Safran and the size of such termination fee, which the board of directors views as reasonable in light of the size and benefits of the Merger and not preclusive of a Superior Proposal, if one were to emerge;

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the circumstances under which a termination fee is payable by Safran to the Company and the size of such termination fee (see the section of this proxy statement entitled *The Merger Agreement Termination Fees and Reimbursement of Expenses*);

the Company s ability to engage in negotiations with, and provide information to, a third party that makes an unsolicited written Acquisition Proposal, if the board of directors determines in good faith, after consultation with its outside legal and financial advisors, that such proposal constitutes or could reasonably be expected to result in a Superior Proposal, if the failure to take such action would be reasonably likely to be inconsistent with the directors fiduciary duties;

the fact that there are no financing conditions to the completion of the Merger; and

the requirement that the Company obtain stockholder approval as a condition to completion of the Merger;

the fact that Safran and BAE committed to providing employees who remain employed following the applicable transaction with the continuation of certain benefits and salary; and

the fact that the special committee of the board of directors considered and reviewed the terms of the Merger Agreement and the BAE Agreement, evaluated the transactions independently from the Company s management and recommended such transactions to the board of directors.

In addition, the board of directors was aware of and considered the interests that certain individuals, including our directors and executive officers, may have with respect to the Merger that may differ from, or may be in addition to, their interests as stockholders of the Company, as described in the section of this proxy statement entitled *Interests of Certain Persons in the Merger.*

Our board of directors also considered potential risks or negative factors relating to the Merger and the BAE Transaction, including but not limited to the following:

the risks and contingencies relating to the announcement and pendency of the Merger and the BAE Transaction and the risks and costs to the Company if the BAE Transaction and / or the Merger do not close or such closings are not timely, including the effect of an announcement of termination of either or both transactions on the trading price of our common stock, operating results and our relationships with customers, suppliers and employees;

our ability to attract and retain key personnel and the risk of diverting management focus and employee resources from operational matters during the pendency of the Merger and the BAE Transaction;

the possible disruption to the Company s business that may result from the announcement of the Merger and the BAE Transaction;

the risks associated with various provisions of the Merger Agreement and the BAE Agreement, including:

the fact that the Merger Agreement and the BAE Agreement contain certain limitations (subject to the consent of the applicable buyer) regarding the operation of the Company s business during the period between the signing of the agreement and completion of the Merger or BAE Transaction, as applicable;

the fact that the closing of the Merger is conditioned upon the closing of the BAE Transaction;

the risk that the Company might not receive the necessary regulatory approvals and clearances; and

the requirement that under the Merger Agreement the Company must submit the Merger Agreement and the Merger to a vote of the Company s stockholders even if the Company receives a Superior Proposal by a third party, and the requirement that the Company must pay to Safran a termination fee of $25,000,000 if the Merger Agreement is terminated under certain circumstances, which might discourage other parties potentially interested in an acquisition of, or combination with, the Company from pursuing that opportunity. See the sections of this proxy statement entitled *The Merger Agreement Stockholders Meeting; Proxy Statement* and *The Merger Agreement Termination Fees and Reimbursement of Expenses,* respectively. The Company s board of directors, after consultation with its legal and financial advisors, believed that the termination fee payable by the Company in such circumstance was reasonable

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in light of the size and benefits of the Merger and not preclusive of a Superior Proposal, if one were to emerge; and

the fact that if the Merger is consummated, the Company will no longer exist as an independent company and the Company s stockholders will no longer participate in the company s future earnings and growth.

The foregoing discussion summarizes certain material factors considered by the board of directors in its consideration of the Merger. In view of the wide variety of factors considered by the board of directors, and the complexity of these matters, the board of directors did not find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual members of the board of directors may have assigned different weights to various factors. Our board of directors concluded that the potentially negative factors associated with the Merger Agreement and BAE Agreement were substantially outweighed by the opportunity for the Company s stockholders to realize a premium on the value of their shares of common stock and to monetize their investment in the Company. Accordingly, our board of directors, by unanimous vote, approved and declared advisable the execution, delivery and performance of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, and determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable and in the best interests of the Company s stockholders.

Our board of directors recommends that you vote FOR the proposal to adopt the Merger Agreement and approve the Merger and FOR the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies.

Opinion of Goldman, Sachs & Co.

Goldman Sachs delivered its opinion to the Company s board of directors that, as of September 19, 2010 and based upon and subject to the limitations and assumptions set forth therein, the $12.00 per share merger consideration to be paid in cash to the holders (other than Safran and its affiliates) of the outstanding shares of common stock of the Company pursuant to the Merger Agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated September 19, 2010, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of the Company s board of directors in connection with its consideration of the Merger. The Goldman Sachs opinion is not a recommendation as to how any holder of the Company s common stock should vote with respect to the Merger or any other matter.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the Merger Agreement;

the BAE Agreement;

annual reports to stockholders and Annual Reports on Form 10-K of the Company for the four years ended December 31, 2009;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of the Company;

certain other communications from the Company to its stockholders;

certain publicly available research analyst reports for the Company; and

certain internal financial analyses and forecasts for the Company prepared by its management in late August 2010, as approved by the Company for use by Goldman Sachs (which are referred to in this proxy statement as the Forecasts).

Goldman Sachs also held discussions with members of the senior management of the Company regarding their assessment of the past and current business operations, financial condition and future prospects of the Company. In

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addition, Goldman Sachs reviewed the reported price and trading activity for the shares of common stock of the Company, compared certain financial and stock market information for the Company with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the defense industry and in other industries, and performed such other studies and analyses, and considered such other factors, as Goldman Sachs deemed appropriate.

For purposes of rendering the opinion described above, Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by it, and Goldman Sachs does not assume any responsibility for any such information. In that regard, Goldman Sachs assumed with the Company s board of directors consent that the Forecasts were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company. Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of the Company or any of its subsidiaries and was not furnished with any such evaluation or appraisal. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Merger and the BAE Transaction will be obtained without any adverse effect on the expected benefits of the Merger and the BAE Transaction in any way meaningful to Goldman Sachs analysis. Goldman Sachs also assumed that the Merger and the BAE Transaction will be consummated on the terms set forth in the Merger Agreement and the BAE Agreement without the waiver or modification of any term or condition of the Merger Agreement or the BAE Agreement, the effect of which would be in any way meaningful to its analysis.

In addition, Goldman Sachs opinion did not address the underlying business decision of the Company to engage in the Merger or the BAE Transaction, or the relative merits of the Merger or the BAE Transaction as compared to any strategic alternatives that may be available to the Company, nor does it address any legal, regulatory, tax or accounting matters. Goldman Sachs opinion addresses only the fairness from a financial point of view, as of September 19, 2010, to the holders (other than Safran and its affiliates) of the outstanding shares of common stock of the Company of the $12.00 per share merger consideration to be paid in cash to such holders pursuant to the Merger Agreement. Goldman Sachs does not express any view on, and its opinion does not address, any other term or aspect of the Merger Agreement, the BAE Agreement, the Merger, the BAE Transaction, or any term or aspect of any other agreement or instrument contemplated by the Merger Agreement or the BAE Agreement or entered into or amended in connection with the Merger or the BAE Transaction, or the impact thereof on the Company, Safran or BAE or the fairness of the BAE Transaction, or the fairness of the Merger to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of the Company; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company, or class of such persons, in connection with the Merger or the BAE Transaction, whether relative to the $12.00 per share merger consideration to be paid to the holders (other than Safran and its affiliates) of the outstanding shares of common stock of the Company pursuant to the Merger Agreement or otherwise. Goldman Sachs did not express any opinion as to the impact of the Merger or the BAE Transaction or any transaction entered into in connection therewith on the solvency or viability of the Company, Safran or BAE or the ability of the Company, Safran or BAE to pay their respective obligations when they come due. Goldman Sachs opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of the date of the opinion and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of its opinion. Goldman Sachs advisory services and the opinion expressed herein were provided for the information and assistance of the board of directors of the Company in connection with its consideration of the Merger and such opinion does not constitute a recommendation as to how any holder of shares of common stock of the Company should vote with respect to the Merger or any other matter. Goldman Sachs opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the board of directors in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the

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summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before September 17, 2010 and is not necessarily indicative of current market conditions.

Premia Paid Analysis

Goldman Sachs analyzed the $12.00 per share merger consideration to be paid in cash to the holders of the outstanding shares of common stock of the Company pursuant to the Merger Agreement in relation to the closing price of the shares of common stock of the Company on January 5, 2010, the day before the Company announced its intention to consider strategic alternatives, and the closing price of the shares on September 17, 2010, the last trading day prior to the delivery of Goldman Sachs opinion. This analysis was undertaken to assist the Company s board of directors in understanding how the $12.00 per share merger consideration compared to recent historical market prices of the Company s common stock. The $12.00 per share merger consideration reflected a premium of 24% over the September 17, 2010 market price of $9.70 per share of the common stock of the Company and a 66% premium over the January 4, 2010 market price of $7.23 per share of the common stock of the Company.

Selected Companies Analysis

Goldman Sachs reviewed and compared certain financial information, ratios and public market multiples for the Company to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the personal identity security and technology industry:

American Science & Engineering, Inc.;

Cogent, Inc. (market data as of August 27, 2010, the last trading day prior to Cogent s announcement of a transaction with 3M);

OSI Systems, Inc.; and

Smiths Group plc (which we collectively refer to in this proxy statement as the Selected Companies).

Although none of the Selected Companies is directly comparable to the Company, the companies included were chosen because they are publicly traded companies with operations that for the purposes of analysis may be considered similar to certain operations of the Company.

With respect to the Company, Goldman Sachs first calculated the following multiples:

enterprise value (which we refer to in this proxy statement as EV), which is the market value of common equity on a diluted basis (including outstanding warrants, options and restricted stock) plus the par value of total debt (including convertible debt), preferred equity and minority interest less cash and cash equivalents per the latest publicly available financial statements, as a multiple of the last twelve months (which we refer to in this proxy statement as LTM) estimated fiscal year earnings before interest, taxes, depreciation and amortization (which we refer to in this proxy statement as EBITDA); and

EV as a multiple of estimated 2011 EBITDA.

With respect to the Selected Companies, Goldman Sachs calculated the following multiples:

EV as a multiple of LTM EBITDA;

EV as a multiple of estimated 2011 EBITDA; and

mean of EV as a multiple of forward year estimated EBITDA for the one-year, two-year, three-year and five-year periods ended September 17, 2010 (except for Cogent, for which periods ended August 27, 2010).

The calculations for the Company were generated based on market data available as of January 5, 2010 and September 17, 2010, the $12.00 per share merger consideration to be paid pursuant to the Merger Agreement, the Forecasts and estimates from the Institutional Brokers Estimate System (which we refer to in this proxy statement

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as IBES). Calculations based on the January 5, 2010 and September 17, 2010 data used figures for net debt of the Company of $465,000,000 as of June 30, 2010 per the Company s public filings. Calculations based on the $12.00 per share merger consideration to be paid pursuant to the Merger Agreement used figures for net debt of $479,000,000 as of June 30, 2010, gross of $11,200,000 of unamortized discount in respect of the Company s $175,000,000 Convertible Notes and $2,600,000 of original issue discount in respect of the Company s Senior Secured Term Loan. The calculations for each of the Selected Companies were generated based on market data available as of September 17, 2010 (and for Cogent Inc., as of August 27, 2010) and IBES median estimates.

The results of Goldman Sachs EV/LTM EBITDA analysis (for the Company and Selected Companies) are shown in the table below.

EV/LTM EBITDA

Company (at $12.00 per share)	22.2x
Company (at September 17, 2010)	19.0x
Company (at January 5, 2010)	15.8x
Selected Companies[a]	
At September 17, 2010[b]	9.7x
1-Year Mean	9.8x
2-Year Mean	8.6x
3-Year Mean	9.7x
5-Year Mean	11.3x

(a) Selected Company multiples calculated as mean of multiples for American Science & Engineering, Cogent, OSI Systems and Smiths Group at September 17, 2010 (except for Cogent, which is at August 27, 2010). One-year, two-year, three-year and five-year averages, calculated as the mean of EV as a multiple of LTM EBITDA for the Selected Companies as a group for the one-year, two-year, three-year and five-year periods ended September 17, 2010 (except for Cogent, for which periods ended at August 27, 2010).

(b) Except for Cogent, which is at August 27th, 2010.

The results of Goldman Sachs EV / 2011E EBITDA analysis (for the Company and Selected Companies) are shown in the table below.

EV/2011E EBITDA

Company (at $12.00 per share (IBES))	14.2x
Company (at $12.00 per share (Forecasts))	12.7x
Company (at September 17, 2010 (IBES))	12.1x
Company (at September 17, 2010 (Forecasts))	10.9x
Company (at January 5, 2010 (IBES))	10.1x
Company (at January 5, 2010 (Forecasts))	9.1x
Selected Companies[a]	
At September 17, 2010[b]	8.1x

(a) Selected Company multiples calculated as median of multiples for American Science & Engineering (7.5x), Cogent (4.6x), OSI Systems (8.6x) and Smiths Group (9.1x) as a group at September 17, 2010 (except for Cogent, which is at August 27, 2010).

(b) Except for Cogent, which is at August 27, 2010.

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The results of Goldman Sachs EV / forward year EBITDA analysis (for the Selected Companies) are shown in the table below.

EV/FORWARD YEAR EBITDA

Selected Companies	
1-Year Mean	8.6x
2-Year Mean	8.2x
3-Year Mean	8.6x
5-Year Mean	9.9x

Illustrative Present Value of Future Share Price Analysis

Goldman Sachs performed an illustrative analysis of the implied present value of the future prices of the Company s common stock using the Forecasts. The analysis was designed to provide an indication of the present value of a theoretical future price of the Company s equity as a function of the Company s estimated future EBITDA. For this analysis, Goldman Sachs used the Forecasts for each of the fiscal years 2010 to 2014.

Goldman Sachs first calculated the illustrative future values per share of the Company s common stock by applying EV to EBITDA multiples of 8.0x to 11.0x to estimates of EBITDA for the applicable forward fiscal year for each of fiscal years 2010 through 2014. The illustrative future values per share of the Company s common stock in each year were then discounted back to June 30, 2010, using a discount rate of 14.7%, including a size adjustment of 1.7% per Ibbotson Associates, reflecting the Company s estimated cost of equity. In deriving a discount rate of 14.7% for the purposes of this analysis, Goldman Sachs utilized the capital asset pricing model, which takes into account certain financial metrics, including betas, for the Company, as well as certain financial metrics for the United States financial markets generally. This resulted in illustrative ranges of present values per share of the Company s common stock for each of fiscal years 2010 through 2014 as follows:

Fiscal Year	**Illustrative Range of Present Value of Future Share Price**
2010	$ 2.93 $ 5.97
2011	$ 5.66 $ 9.50
2012	$ 7.39 $11.47
2013	$ 8.10 $11.99
2014	$ 9.02 $12.73

Illustrative Discounted Cash Flow Analysis

Goldman Sachs performed an illustrative discounted cash flow analysis on the Company using the Forecasts, information from the Company s public filings as at June 30, 2010 and information relating to the Company s net operating loss provided by the Company s management. Goldman Sachs calculated indications of net present value of unlevered free cash flows for the Company for the years 2010 through 2014 using discount rates ranging from 11% to 13%, reflecting the Company s estimated weighted average cost of capital. In deriving discount rates ranging from 11% to 13% for the purposes of this analysis, Goldman Sachs utilized the capital asset pricing model, which takes into account certain financial metrics, including betas, for the Company, as well as certain financial metrics for the United

States financial markets generally. Goldman Sachs then calculated the illustrative present value of the terminal value using multiples of estimated 2014 EBITDA ranging from 8.0x to 11.0x. Goldman Sachs assumed a mid-year convention and a 39% marginal tax rate, and discounted the results to June 30, 2010. Using information provided by management, Goldman Sachs then calculated the illustrative present value of the Company s net operating loss, using a discount rate of 9% reflecting an estimate of the Company s cost of debt. This calculation yielded a present value of the Company s net operating loss of approximately $125 million, or $1.39 per share. This analysis yielded equity values in a range of $7.93 to $12.57 per share. Goldman Sachs also performed a similar illustrative discounted cash flow analysis but using implied perpetuity growth rates after 2014

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ranging from 3.0% to 7.0% to calculate an illustrative terminal value. This analysis generated equity values in a range of $3.49 to $12.19 per share.

Selected Transactions Analysis

Goldman Sachs analyzed certain information relating to selected transactions with an EV over $500,000,000 in the defense industry during the period from 2000 to 2010:

Harris Corporation s acquisition of CapRock Holdings announced in May 2010;

CGI Group Inc. s acquisition of Stanley, Inc. announced in May 2010;

L-3 Communication Holdings Inc. s acquisition of Insight Technology Incorporated announced in May 2010;

Cerberus Capital Management LP s acquisition of DynCorp International Inc. announced in April 2010;

Babcock International Group Plc s acquisition of VT Group Plc announced in March 2010;

Kohlberg Kravis Roberts & Co. s and General Atlantic LLC s acquisition of Northrop Grumman Corporation s TASC division announced in November 2009;

General Dynamics Corporation s acquisition of Axsys Technologies, Inc. announced in June 2009;

General Dynamics Corporation s acquisition of AxleTech International announced in November 2008;

Serco Group plc s acquisition of SI International Inc. announced in August 2008;

BAE Systems (Holdings) Limited s acquisition of Detica Group plc announced in July 2008;

The Carlyle Group s acquisition of Booz Allen Hamilton Inc. announced in May 2008;

Finmeccanica SpA s acquisition of DRS Technologies, Inc. announced in May 2008;

BAE Systems Plc s acquisition of Tenix Defence announced in January 2008;

Textron Inc. s acquisition of United Industrial Corporation announced in October 2007;

ITT Corporation s acquisition of EDO Corp. announced in September 2007;

The Carlyle Group s acquisition of ARINC Incorporated announced in July 2007;

Veritas Capital, Golden Gate Capital s and GS Direct s acquisition of Aeroflex announced in May 2007;

BAE Systems Plc s acquisition of Armor Holdings Inc. announced in May 2006;

Northrop Grumman Corporation s acquisition of Essex Corp. announced in November 2006;

Lockheed Martin Corporation s acquisition of Pacific Architects and Engineers Incorporated announced in August 2006;

Armor Holdings Inc. s acquisition of Stewart & Stevenson Services Inc. announced in February 2006;

General Dynamics Corporation s acquisition of Anteon International Corporation announced in December 2005;

DRS Technologies Inc. s acquisition of Engineered Support Systems Inc. announced in September 2005;

L-3 Communications Holdings Inc. s acquisition of The Titan Corp. announced in June 2005;

BAE Systems Plc s acquisition of United Defense Industries Inc. announced in March 2005;

Veritas Capital s acquisition of DynCorp International LLC announced in December 2004;

ITT Industries Inc. s acquisition of Eastman Kodak Company s Remote Sensing Systems business announced in February 2004;

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L-3 Communications Holdings Inc. s acquisition of Vertex Aerospace LLC announced in October 2003;

Lockheed Martin Corporation s acquisition of Affiliated Computer Services Inc. announced in August 2003;

DRS Technologies Inc. s acquisition of Integrated Defense Technologies Inc. announced in August 2003;

General Dynamics Corporation s acquisition of Veridian Corporation announced in June 2003;

General Dynamics Corporation s acquisition of General Motors Defense announced in December 2002;

Northrop Grumman Corporation s acquisition of TRW Inc. announced in July 2002;

L-3 Communications Holdings Inc. s acquisition of Raytheon Aircraft Integration Systems announced in January 2002;

General Dynamics Corporation s acquisition of Motorola s Integrated Information Systems Group announced in August 2001;

Northrop Grumman Corporation s acquisition of Newport News Shipbuilding announced in May 2001;

Northrop Grumman Corporation s acquisition of Litton Industries Inc. announced in December 2000;

General Dynamics Corporation s acquisition of Primex Technologies Inc. announced in November 2000; and

BAE Systems North America Inc. s acquisition of Lockheed Martin Control Systems announced in April 2000.

While none of the businesses or companies that participated in these selected transactions are directly comparable to the Company s current businesses and operations, the businesses and companies that participated in the selected transactions are businesses and companies with operations that, for the purposes of analysis, may be considered similar to certain of the Company s results, market size, product profile and end market exposure.

For selected transactions, Goldman Sachs calculated the EV of the transaction as a multiple of LTM revenue, a multiple of LTM EBITDA, a multiple of estimated forward revenue and a multiple of estimated forward EBITDA. Forward multiples were generated using estimates from IBES as of the date of the public announcement of the relevant transaction. The results of these calculations are listed in the table below.

Date	Target	Acquiror	Transaction EV	Multiples of LTM Revenue	Multiples of LTM EBITDA	Multiples of Forward Revenue	Multiples of Forward EBITDA
May 2010	CapRock	Harris	$ 525	1.5x	9.7x	NA	NA
May 2010	Stanley, Inc.	CGI	$ 1,070	1.3x	12.0x	1.2x	11.3x
May 2010	Insight Technology	L-3	$ 613	2.0x	9.4x	NA	NA
Apr. 2010	DynCorp International	Cerberus Capital	$ 1,493	0.5x	6.5x	0.4x	6.6x
Mar. 2010	VT Group	Babcock International	$ 2,000	NA	10.5x	NA	NA
Nov. 2009	Northrop Grumman TASC	KKR / General Atlantic	$ 1,650	1.0x	~11.0x	0.9x	NA

June 2009	Axsys	General Dynamics	$ 645	2.3x	12.2x	2.0x	11.0x
Nov. 2008	AxelTech	General Dynamics	NA	NA	NA	NA	NA
Aug. 2008	SI International	Serco	$ 510	0.9x	12.2x	0.8x	10.2x
July 2008	Detica Group	BAE Systems	$ 1,062	2.6x	16.9x	2.2x	13.0x
May 2008	Booz Allen Hamilton	Carlyle Group	$ 2,540	NA	~10.5x	NA	NA
May 2008	DRS Technologies	Finmeccanica	$ 5,205	1.7x	12.7x	1.5x	11.4x
Jan. 2008	Tenix	BAE Systems	$ 686	1.0x	12.3x	NA	NA
Oct. 2007	UIC	Textron	$ 1,100	1.6x	13.3x	1.4x	11.4x
Sept. 2007	EDO	ITT	$ 1,881	1.6x	16.0x	1.4x	12.7x
July 2007	ARINC	Carlyle Group	NA	NA	NA	NA	NA

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Date	Target	Acquiror	Transaction EV	Multiples of LTM Revenue	Multiples of LTM EBITDA	Multiples of Forward Revenue	Multiples of Forward EBITDA
June 2007	Aeroflex	Veritas / Golden Gate / GS	$ 1,067	1.9x	12.1x	1.8x	11.4x
May 2006	Armor Holdings	BAE	$ 4,534	1.6x	14.8x	1.3x	11.5x
Nov. 2006	Essex Corp.	Northrop Grumman	$ 542	2.3x	28.1x	1.6x	15.7x
Aug. 2006	PAE	Lockheed Martin	$ 700	NA	NA	NA	NA
Feb. 2006	Stewart & Stevenson	Armor Holdings	$ 757	1.0x	Not meaningful due to depressed LTM EBITDA	NA	NA
Dec. 2005	Anteon	General Dynamics	$ 2,200	1.5x	15.9x	1.3x	13.5x
Sept. 2005	Engineered Support Services	DRS	$ 1,960	1.9x	14.0x	1.6x	10.5x
June 2005	Titan	L-3 Communications	$ 2,741	1.4x	15.8x	1.1x	12.9x
Mar. 2005	United Defense Industries	BAE Systems	$ 4,199	1.8x	12.3x	1.7x	13.0x
Dec. 2004	DynCorp International	Veritas Capital	$ 910	0.6x	8.5x	NA	NA
Feb. 2004	Remote Sensing Systems (Eastman Kodak)	ITT Industries	$ 725	1.7x	12.5x	NA	NA
Oct. 2003	Vertex Aerospace	L-3 Communications	$ 650	0.8x	10.2x	NA	NA
Aug. 2003	Affiliated Computer Services	Lockheed Martin	$ 658	0.9x	NA	NA	NA
Aug. 2003	Integrated Defense	DRS	$ 550	1.6x	11.3x	1.3x	8.2x
June 2003	Veridian	General Dynamics	$ 1,500	1.6x	18.0x	1.3x	14.3x
Dec. 2002	GM Defense	General Dynamics	$ 1,100	1.1x	NA	NA	NA
July 2002	TRW*	Northrop Grumman	$ 11,708	0.7x	9.1x	NA	NA
Jan. 2002	Raytheon AIS	L-3 Communications	$ 1,130	1.4x	12.3x	NA	NA
Aug. 2001	Motorola (Information Systems)	General Dynamics	$ 825	1.4x	12.9x	NA	NA
May 2001	Newport News	Northrop Grumman	$ 2,801	1.3x	10.5x	1.3x	NA
Dec. 2000	Litton	Northrop Grumman	$ 5,152	0.9x	7.7x	NA	NA
Nov. 2000	Primex Technologies	General Dynamics	$ 517	1.0x	7.0x**	NA	NA
Apr. 2000	Lockheed Martin Control Systems	BAE Systems	$ 510	1.4x	NA	NA	NA

* Enterprise value includes ASG division, which is to be sold to Goodrich for $1.5 billion, as well as automotive business. Multiples are estimated SS&E multiples.

** LTM EBITDA estimated by keeping depreciation and amortization as a percentage of sales constant.

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Goldman Sachs then generated the high, mean, median and low of the EV and the multiples for the selected transactions as a group. Using the $12.00 per share merger consideration to be paid in cash to holders of the outstanding shares of common stock of the Company pursuant to the Merger Agreement, Goldman Sachs calculated the same LTM and forward multiples for the Merger and compared these figures against the LTM and forward multiples for the selected transactions. The following table presents the results of this analysis:

	Multiples of LTM Revenue	**Multiples of LTM EBITDA**	**Multiples of Forward Revenue**	**Multiples of Forward EBITDA**
Selected Transactions				
High	2.6x	28.1x	2.2x	15.7x
Mean	1.41x	12.2x	1.49x	12.3x
Median	1.40x	12.2x	1.40x	12.7x
Low	0.5x	6.5x	0.4x	6.6x
Company				
$12.00 per share	2.4x	22.2x	2.2x	17.2x

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to the Company or the contemplated Merger.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs providing its opinion to the board of directors as to the fairness from a financial point of view of the $12.00 per share merger consideration to be paid in cash to the holders (other than Safran and its affiliates) of the outstanding shares of common stock of the Company pursuant to the Merger Agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of the Company, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The merger consideration was determined through arms -length negotiations between the Company and Safran and was approved by the board of directors of the Company. Goldman Sachs provided advice to the Company during these negotiations. Goldman Sachs did not, however, recommend any specific amount of consideration to the Company or the board of directors or that any specific amount of consideration constituted the only appropriate consideration for the Merger.

As described above, Goldman Sachs opinion to the board of directors of the Company was one of many factors taken into consideration by the board of directors in making its determination to approve the Merger Agreement and the Merger. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of

Goldman Sachs attached as Annex C to this proxy statement.

Goldman Sachs and its affiliates are engaged in investment banking and financial advisory services, commercial banking, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman Sachs and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of the Company, Safran, any of their respective affiliates or third parties, including BAE Systems plc and its affiliates, or any currency or commodity that may be

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involved in the Merger or the BAE Transaction for their own account and for the accounts of their customers. Goldman Sachs acted as financial advisor to the Company in connection with, and has participated in certain of the negotiations leading to, the Merger and the BAE Transaction. Goldman Sachs has provided certain investment banking services to BAE Systems plc and its affiliates from time to time for which Goldman Sachs Investment Banking Division has received, and may receive, compensation, including having acted as joint bookrunning manager with respect to the private placement of 4.95% Guaranteed Bonds due June 2014 (aggregate principal amount $500,000,000) and 6.375% Guaranteed Bonds due June 2019 (aggregate principal amount $1,000,000,000) issued by BAE Systems Holdings Inc., a subsidiary of BAE Systems plc, in June 2009. During the two year period prior to the delivery of its opinion, dated September 19, 2010, Goldman Sachs has not been engaged to provide investment banking services to the Company and its affiliates (other than in connection with the Merger) or to Safran and its affiliates for which the Investment Banking Division of Goldman Sachs has received compensation. Goldman Sachs may in the future provide investment banking services to the Company, Safran, BAE and their respective affiliates for which our Investment Banking Division may receive compensation.

The board of directors selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the Merger. Pursuant to a letter agreement, dated February 26, 2010, the Company engaged Goldman Sachs to act as its financial advisor in connection with the Company s exploration of strategic alternatives to enhance stockholder value, including the possible sale of all or a portion of the common stock or assets of the Company. Pursuant to the terms of this engagement letter, the Company has agreed to pay Goldman Sachs a fee totaling approximately $11 million, of which approximately $9.4 million will be paid upon the consummation of the Merger. In addition, the Company has agreed to reimburse Goldman Sachs for certain expenses and to indemnify Goldman Sachs against certain liabilities arising out of Goldman Sachs engagement.

Opinion of Stone Key Partners LLC

Overview

Pursuant to an engagement letter dated February 28, 2010, the Company retained Stone Key to act as its financial advisor in connection with the Company s exploration of strategic alternatives to enhance stockholder value, including the possible sale of all or a portion of the Company common stock or the assets of the Company and / or its subsidiaries. In selecting Stone Key, the Company s board of directors considered, among other things, the fact that Stone Key is an internationally recognized investment banking firm with substantial experience advising companies in the defense technology, homeland security and government services industries as well as substantial experience providing strategic advisory services. Stone Key, as part of its investment banking business, is continuously engaged in the evaluation of businesses and their debt and equity securities in connection with mergers and acquisitions, underwritings, private placements and other securities offerings, valuations and general corporate advisory services.

At the September 18, 2010 meeting of the Company s board of directors, Stone Key delivered its oral opinion, which was subsequently confirmed in writing, that, as of September 18, 2010, and based upon and subject to the assumptions, qualifications and limitations set forth in the written opinion, the $12.00 per share merger consideration was fair, from a financial point of view, to the stockholders of the Company.

The full text of Stone Key s written opinion is attached as Annex D to this proxy statement and you should read the opinion carefully and in its entirety. The opinion sets forth the assumptions made, certain of the matters considered and qualifications to and limitations of the review undertaken by Stone Key. The Stone Key opinion, which was authorized for issuance by the Fairness Opinion and Valuation Committee of Stone Key, is subject to the assumptions and conditions contained in the opinion and is necessarily based on economic, market and other conditions and the information made available to Stone Key as of the date of the Stone Key

opinion. Stone Key has no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of the rendering of the opinion.

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In reading the discussion of the fairness opinion set forth below, you should be aware that Stone Key s opinion:

- was provided to the Company s board of directors for its benefit and use in connection with its consideration of the Merger;
- did not constitute a recommendation to the board of directors of the Company;
- does not constitute a recommendation to any stockholder of the Company as to how to vote in connection with the Merger or otherwise;
- did not address the Company s underlying business decision to pursue the Merger or the BAE Transaction, the relative merits of the Merger and BAE Transaction as compared to any alternative business or financial strategies that might exist for the Company or the effects of any other transaction in which the Company might engage;
- did not express any view or opinion with respect to the merits of the Merger to any holder of the Company equity relative to any other holder of the Company equity or as to the fairness of the Merger, from a financial point of view, to Safran and its affiliates; and
- did not express any view or opinion as to the fairness, financial or otherwise, of the amount or nature of any compensation payable to or to be received by any of the Company s officers, directors or employees, or any class of these persons, in connection with the Merger or the BAE Transaction relative to the $12.00 per share merger consideration or the purchase price to be paid by BAE pursuant to the BAE Agreement.

The Company did not provide specific instructions to, or place any limitations on, Stone Key with respect to the procedures to be followed or factors to be considered by it in performing its analyses or providing its opinion.

In connection with rendering its opinion, Stone Key:

- reviewed drafts of the Merger Agreement, BAE Agreement and voting and support agreement in substantially final form;
- reviewed the Company s Annual Reports to Shareholders and Annual Reports on Form 10-K for the years ended December 31, 2007, 2008 and 2009, its Quarterly Report on Form 10-Q for the periods ended March 31, 2010 and June 30, 2010 and its Current Reports on Form 8-K filed since December 31, 2009;
- reviewed certain operating and financial information relating to the Company s business and prospects, including the Forecasts, all as prepared and provided to Stone Key by the Company s management;
- met with certain members of the Company s senior management to discuss the Company s business, operations, historical and projected financial results and future prospects;
- reviewed the historical prices, trading multiples and trading volume of the Company common stock;
- reviewed certain publicly available financial data, stock market performance data and trading multiples of companies which Stone Key deemed generally comparable to the Company;
- reviewed the terms of certain relevant mergers and acquisitions involving companies that Stone Key deemed generally comparable to the Company;

performed discounted cash flow analyses based on the Forecasts; and

conducted those other studies, analyses, inquiries and investigations as Stone Key deemed appropriate.

In connection with rendering its opinion, Stone Key further noted that:

Stone Key relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information provided to it by the Company or obtained by Stone Key from public sources, including, without limitation, the Forecasts.

With respect to the Forecasts, Stone Key relied on representations that they had been reasonably prepared on bases reflecting the best then-currently available estimates and judgments of the senior management of the Company as to the expected future performance of the Company.

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