

L 3 COMMUNICATIONS CORP

Form 10-Q

August 06, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 27, 2008

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

For the transition period from to

Commission file numbers 001-14141 and 333-46983

**L-3 COMMUNICATIONS HOLDINGS, INC.
L-3 COMMUNICATIONS CORPORATION**
(Exact names of registrants as specified in their charters)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3937434 and 13-3937436
(I.R.S. Employer
Identification Nos.)

600 Third Avenue, New York, NY
(Address of principal executive offices)

10016
(Zip Code)

(212) 697-1111
(Telephone number)

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

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

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

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Act). o Yes x No

There were 121,421,623 shares of L-3 Communications Holdings, Inc. common stock with a par value of \$0.01 outstanding as of the close of business on August 1, 2008.

**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION**

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For the quarterly period ended June 27, 2008**

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AND L-3 COMMUNICATIONS CORPORATION****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)**

	June 27, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 622	\$ 780
Billed receivables, net of allowances, of \$21 in 2008 and 2007	1,324	1,279
Contracts in process	2,188	2,099
Inventories	281	249
Deferred income taxes	205	246
Other current assets	145	110
Total current assets	4,765	4,763
Property, plant and equipment, net	774	754
Goodwill	8,310	8,165
Identifiable intangible assets	442	441
Deferred debt issue costs	50	56
Other assets	180	212
Total assets	\$ 14,521	\$ 14,391
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable, trade	\$ 649	\$ 571
Accrued employment costs	632	633
Accrued expenses	437	369
Advance payments and billings in excess of costs incurred	472	463
Income taxes	22	63
Other current liabilities	344	483
Total current liabilities	2,556	2,582
Pension and postretirement benefits	474	450
Deferred income taxes	313	245
Other liabilities	494	501

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Long-term debt	4,537	4,537
Total liabilities	8,374	8,315
Commitments and contingencies (see Note 13)		
Minority interests	88	87
Shareholders' equity:		
L-3 Holdings' common stock: \$.01 par value; 300,000,000 shares authorized, 120,786,738 shares outstanding at June 27, 2008 and 124,174,825 shares outstanding at December 31, 2007 (L-3 Communications' common stock: \$.01 par value, 100 shares authorized, issued and outstanding)	3,920	3,753
L-3 Holdings' treasury stock (at cost), 10,375,191 shares at June 27, 2008 and 5,533,159 shares at December 31, 2007	(1,025)	(525)
Retained earnings	3,004	2,608
Accumulated other comprehensive income	160	153
Total shareholders' equity	6,059	5,989
Total liabilities and shareholders' equity	\$ 14,521	\$ 14,391

See notes to unaudited condensed consolidated financial statements.

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**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Second Quarter Ended	
	June 27, 2008	June 29, 2007
Net sales:		
Products	\$ 1,765	\$ 1,553
Services	1,957	1,854
Total net sales	3,722	3,407
Cost of sales:		
Products	1,598	1,373
Services	1,749	1,679
Total cost of sales	3,347	3,052
Litigation gain (Note 13)	126	
Operating income	501	355
Interest and other income, net	7	8
Interest expense	61	74
Minority interests in net income of consolidated subsidiaries	3	2
Income before income taxes	444	287
Provision for income taxes	166	99
Net income	\$ 278	\$ 188
L-3 Holdings earnings per common share:		
Basic	\$ 2.28	\$ 1.51
Diluted	\$ 2.24	\$ 1.49
L-3 Holdings weighted average common shares outstanding:		
Basic	122.0	124.9
Diluted	124.0	126.4

See notes to unaudited condensed consolidated financial statements.

Table of Contents**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
(in millions, except per share data)

	First Half Ended	
	June 27, 2008	June 29, 2007
Net sales:		
Products	\$ 3,368	\$ 3,148
Services	3,860	3,559
 Total net sales	 7,228	 6,707
Cost of sales:		
Products	3,027	2,800
Services	3,458	3,226
 Total cost of sales	 6,485	 6,026
 Litigation gain (Note 13)	 126	
 Operating income	 869	 681
Interest and other income, net	15	13
Interest expense	132	147
Minority interests in net income of consolidated subsidiaries	6	5
 Income before income taxes	 746	 542
Provision for income taxes	276	192
 Net income	 \$ 470	 \$ 350
 L-3 Holdings earnings per common share:		
Basic	\$ 3.84	\$ 2.81
Diluted	\$ 3.78	\$ 2.77
 L-3 Holdings weighted average common shares outstanding:		
Basic	122.3	124.8
Diluted	124.3	126.2

See notes to unaudited condensed consolidated financial statements.

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**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION**

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	First Half Ended	
	June 27, 2008	June 29, 2007
Operating activities:		
Net income	\$ 470	\$ 350
Depreciation of property, plant and equipment	76	72
Amortization of intangibles and other assets	27	29
Deferred income tax provision	111	56
Stock-based employee compensation expense	30	23
Contributions to employee savings plans in L-3 Holdings common stock	72	72
Amortization of deferred debt issue costs (included in interest expense)	5	5
Impairment charge	28	
Other non-cash items	(7)	8
Subtotal	812	615
Changes in operating assets and liabilities, excluding acquired amounts:		
Billed receivables	(29)	43
Contracts in process	(72)	(147)
Inventories	(27)	(6)
Accounts payable, trade	81	24
Accrued employment costs	(5)	7
Accrued expenses	51	43
Other current liabilities	(137)	(18)
Advance payments and billings in excess of costs incurred	10	9
Income taxes	(24)	58
Excess income tax benefits related to share-based payment arrangements	(7)	(10)
Pension and postretirement benefits	21	44
All other operating activities	(46)	(52)
Subtotal	(184)	(5)
Net cash from operating activities	628	610
Investing activities:		
Business acquisitions, net of cash acquired	(218)	(195)
Capital expenditures	(76)	(67)
Dispositions of property, plant and equipment	5	2
Proceeds from sale of product lines	12	
Other investing activities	2	1

Net cash used in investing activities	(275)	(259)
Financing activities:		
Common stock repurchased	(500)	(201)
Cash dividends paid on L-3 Holdings common stock	(74)	(63)
Proceeds from exercise of stock options	24	49
Proceeds from employee stock purchase plan	35	32
Excess income tax benefits related to share-based payment arrangements	7	10
Other financing activities	(8)	(1)
Net cash used in financing activities	(516)	(174)
Effect of foreign currency exchange rate changes on cash and cash equivalents	5	6
Net (decrease) increase in cash and cash equivalents	(158)	183
Cash and cash equivalents, beginning of the period	780	348
Cash and cash equivalents, end of the period	\$ 622	\$ 531

See notes to unaudited condensed consolidated financial statements.

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**L-3 COMMUNICATIONS HOLDINGS, INC.
AND L-3 COMMUNICATIONS CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

1. Description of Business

L-3 Communications Holdings, Inc. derives all of its operating income and cash flows from its wholly-owned subsidiary, L-3 Communications Corporation (L-3 Communications). L-3 Communications Holdings, Inc. (L-3 Holdings and, together with its subsidiaries, referred to herein as L-3 or the Company) is a prime system contractor in aircraft modernization and maintenance, Command, Control, Communications, Intelligence, Surveillance and Reconnaissance (C³ISR) systems, and government services. L-3 is also a leading provider of high technology products, subsystems and systems. The Company's customers include the U.S. Department of Defense (DoD) and its prime contractors, U.S. Government intelligence agencies, the U.S. Department of Homeland Security (DHS), U.S. Department of State (DoS), U.S. Department of Justice (DoJ), allied foreign governments, domestic and international commercial customers and select other U.S. federal, state and local government agencies.

The Company has four reportable segments, comprised of: (1) C³ISR, (2) Government Services, (3) Aircraft Modernization and Maintenance (AM&M), and (4) Specialized Products. Financial information relating to the reportable segments is included in Note 17. C³ISR provides products and services for the global ISR market, networked communications systems and secure communications products. The Company believes that these products and services are critical elements for a substantial number of major command, control, communication, intelligence gathering and space systems. These products and services are used to connect a variety of airborne, space, ground and sea-based communication systems and are used in the transmission, processing, recording, monitoring, and dissemination functions of these communication systems. Government Services provides training and operational support services, information technology solutions, intelligence solutions and support, aviation, maritime and engineering services and other technical services. AM&M provides modernization, upgrades and sustainment, maintenance and logistics support services for military and various government aircraft and other platforms. Specialized Products provides a broad range of products across several business areas that include power & control systems, microwave, avionics & displays, training & simulation, electro-optic/infrared (EO/IR), precision engagement, security and detection systems, propulsion systems, undersea warfare and telemetry and advanced technology.

2. Basis of Presentation

These unaudited condensed consolidated financial statements for the quarterly period and first half period ended June 27, 2008 should be read in conjunction with the audited consolidated financial statements of L-3 Holdings and L-3 Communications for the fiscal year ended December 31, 2007, which are included in their Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

The accompanying unaudited condensed consolidated financial statements comprise the consolidated financial statements of L-3 Holdings and L-3 Communications. L-3 Holdings' only asset is its investment in the common stock of L-3 Communications, its wholly-owned subsidiary, and its only obligations are (1) the 3% Convertible Contingent Debt Securities (CODES) due 2035, which were issued by L-3 Holdings on July 29, 2005, (2) its guarantee of borrowings under the senior credit facility of L-3 Communications and (3) its guarantee of other contractual obligations of L-3 Communications and its subsidiaries. L-3 Holdings' obligations relating to the CODES have been jointly, severally, fully and unconditionally guaranteed by L-3 Communications and certain of its wholly-owned domestic subsidiaries. Accordingly, such debt has been reflected as debt of L-3 Communications in its consolidated

financial statements in accordance with the U.S. Securities and Exchange Commission's (SEC) Staff Accounting Bulletin (SAB) No. 54. All issuances of and conversions into L-3 Holdings' equity securities, including grants of stock options, restricted stock, restricted stock units and performance units by L-3 Holdings to employees and directors of L-3

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**L-3 COMMUNICATIONS HOLDINGS, INC.
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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

Communications and its subsidiaries, have been reflected in the consolidated financial statements of L-3 Communications. As a result, the consolidated financial positions, results of operations and cash flows of L-3 Holdings and L-3 Communications are substantially the same. See Note 19 for additional information regarding the unaudited financial information of L-3 Communications and its subsidiaries.

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Accordingly, they do not include all of the disclosures required by accounting principles generally accepted in the United States of America for a complete set of annual audited financial statements. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation of the results for the interim periods presented have been included. The results of operations for the interim periods are not necessarily indicative of results for the full year. Certain reclassifications have been made to conform prior-year amounts to the current-year presentation. It is the Company's established practice to close its books for the quarters ending March, June and September on the Friday nearest to the end of the calendar quarters. The interim financial statements included herein have been prepared and are labeled based on that convention. The Company closes its annual books on December 31 regardless of what day it falls on.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of sales and costs of sales during the reporting period. The most significant of these estimates and assumptions relate to contract revenue, profit and loss recognition, fair values of assets acquired and liabilities assumed in business combinations, market values for inventories reported at lower of cost or market, pension and post-retirement benefit obligations, stock-based employee compensation expense, income taxes, including the valuations of deferred tax assets, litigation reserves and environmental obligations, and the recoverability, useful lives and valuation of recorded amounts of long-lived assets, identifiable intangible assets and goodwill. Changes in estimates are reflected in the periods during which they become known. Actual amounts will differ from these estimates and could differ materially. For a more complete discussion of these estimates and assumptions, see the Annual Report of L-3 Holdings and L-3 Communications on Form 10-K for the fiscal year ended December 31, 2007.

3. Acquisitions and Dispositions

All of the business acquisitions are included in the Company's results of operations from their respective dates of acquisition.

2008 Business Acquisitions

During the first half ended June 27, 2008, in separate transactions, the Company acquired ownership interests in two businesses and increased its ownership interest in a subsidiary for an aggregate purchase price of \$192 million in cash, plus acquisition costs, which are described below. Based on preliminary purchase price allocations, the aggregate goodwill recognized for these businesses was \$131 million, which was assigned to the Specialized Products reportable

segment. Of this aggregate goodwill amount, \$112 million is expected to be deductible for income tax purposes. The final purchase price allocations for these business acquisitions will be based on their final purchase prices, and final appraisals and other analyses of fair values for acquired assets and assumed liabilities, which are currently in process. The final purchase price allocations for these business acquisitions are expected to be completed during the

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**L-3 COMMUNICATIONS HOLDINGS, INC.
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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

second half of 2008. The Company does not expect any of the differences between the preliminary and final purchase price allocations for its 2008 business acquisitions to have a material impact on its results of operations or financial position. The 2008 business acquisitions were all financed with cash on hand.

Acquired all of the outstanding stock of HSA Systems Pty Limited of Australia (HSA) on March 14, 2008. HSA is a provider of geospatial, marine and electronic systems for maritime and defense customers. The purchase price for HSA is subject to adjustment based on actual closing date net working capital, which has not been finalized. Additional consideration, if any, will be accounted for as goodwill.

Acquired assets and assumed liabilities of Northrop Grumman's Electro-Optical Systems (EOS) business on April 21, 2008. The EOS business is a provider of night vision technology and electro-optical products for military, commercial and public safety customers. The purchase price for EOS is subject to adjustment based on actual closing date net working capital, which has not been finalized. Additional consideration, if any, will be accounted for as goodwill.

On April 4, 2008, the Company increased its ownership interest in Medical Education Technologies, Inc. (METI) from 80% to 85% for a purchase price of \$3 million. METI is a supplier of human patient and surgical simulators, as well as related educational products.

The table below summarizes the preliminary purchase price allocations for the aggregate assets acquired, and liabilities assumed including acquisition costs, in connection with all of the Company's business acquisitions that were completed during the first half ended June 27, 2008.

	(in millions)
Cash and cash equivalents	\$ 2
Billed receivables	15
Contracts in process	15
Property, plant and equipment	25
Goodwill	131
Identifiable intangible assets	14
Other assets	11
Total assets acquired	213
Current liabilities	20
Total liabilities assumed	20
Net assets acquired	\$ 193

2007 Business Acquisitions

During the first half ended June 27, 2008, the Company completed the final purchase price allocations for APSS S.r.l. (APSS) and MKI Systems, Inc. (MKI). The final purchase price allocations for these business acquisitions did not have a material impact on the Company's results of operations or financial position. The purchase price for Geneva Aerospace, Inc. (Geneva) is subject to adjustment for additional consideration not to exceed \$24 million that is contingent upon its post-acquisition financial performance for the years ending December 31, 2008 and 2009. Any additional consideration paid that is contingent upon post-acquisition performance will be accounted for as goodwill.

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

Unaudited Pro Forma Statement of Operations Data

The following unaudited pro forma Statement of Operations data presents the combined results of the Company and its business acquisitions completed during the first half ended June 27, 2008 and the year ended December 31, 2007, assuming that the business acquisitions completed during these periods had occurred on January 1, 2007.

	Second Quarter Ended		First Half Ended	
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
	(in millions, except per share data)			
Pro forma net sales	\$ 3,731	\$ 3,480	\$ 7,282	\$ 6,844
Pro forma net income	\$ 276	\$ 187	\$ 467	\$ 347
Pro forma diluted earnings per share (EPS)	\$ 2.22	\$ 1.48	\$ 3.76	\$ 2.75

The unaudited pro forma results disclosed in the table above are based on various assumptions and are not necessarily indicative of the results of operations that would have occurred had the Company completed these acquisitions on January 1, 2007.

2008 Business and Product Line Dispositions

In the second quarter of 2008, the Company sold the Electron Technologies Passive Microwave Devices (PMD) product line within the Specialized Products segment for a sales price of \$12 million. The Company recognized a preliminary after-tax gain of approximately \$7 million (pre-tax gain of \$12 million) during the second quarter and first half ended June 27, 2008. The net proceeds for the sale is included in investing activities on the statement of cash flows. The product line generated \$23 million of sales for the year ended December 31, 2007 and \$8 million for the first half of 2008.

4. Contracts in Process

The components of contracts in process are presented in the table below.

	June 27, 2008	December 31, 2007
	(in millions)	
Unbilled contract receivables, gross	\$ 1,932	\$ 1,876
Less: unliquidated progress payments	(389)	(391)
Unbilled contract receivables, net	1,543	1,485

Inventoried contract costs, gross	722	673
Less: unliquidated progress payments	(77)	(59)
Inventoried contract costs, net	645	614
Total contracts in process	\$ 2,188	\$ 2,099

Inventoried Contract Costs. In accordance with the American Institute of Certified Public Accountants Statement of Position 81-1 *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* (SOP 81-1) and the AICPA Audit and Accounting Guide, *Audits of Federal Government Contractors*, the Company accounts for the portion of its general and administrative (G&A) costs, independent research and development (IRAD) costs and bid and proposal (B&P) costs that are allowable and reimbursable indirect contract costs under U.S. Government procurement regulations on its U.S. Government contracts (revenue arrangements) as inventoried contract costs. G&A, IRAD and B&P costs are allocated to contracts for which the U.S. Government is the end customer and are charged to costs

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

of sales when sales on the related contracts are recognized. The Company's unallowable portion of its G&A, IRAD and B&P costs for its U.S. Government contractor businesses are expensed as incurred and are not included in inventoried contract costs.

The table below presents a summary of G&A, IRAD and B&P costs included in inventoried contract costs and the changes to them, including amounts charged to cost of sales for U.S. Government contracts for the periods presented.

	Second Quarter		First Half Ended	
	Ended			
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
	(in millions)			
Amounts included in inventoried contract costs at beginning of the period	\$ 69	\$ 64	\$ 68	\$ 59
Add: Contract costs incurred ⁽¹⁾	318	302	600	576
Amounts included in acquired inventoried contract costs	7		7	
Less: Amounts charged to cost of sales during the year	(315)	(296)	(596)	(565)
Amounts included in inventoried contract costs at end of the period	\$ 79	\$ 70	\$ 79	\$ 70

⁽¹⁾ Incurred costs include IRAD and B&P costs of \$78 million for the quarter ended June 27, 2008, \$73 million for the quarter ended June 29, 2007, \$137 million for the first half ended June 27, 2008 and \$136 million for the first half ended June 29, 2007.

The table below presents a summary of selling, general and administrative expenses and research and development expenses for the Company's commercial businesses, which are expensed as incurred and not included in inventoried contracts costs.

	Second Quarter		First Half Ended	
	Ended			
	June 27, 2008	June 29, 2007	June 27, 2008	June 29, 2007
	(in millions)			
Selling, general and administrative expenses	\$ 73	\$ 65	\$ 139	\$ 125
Research and development expenses	24	24	48	47

Total	\$ 97	\$ 89	\$ 187	\$ 172
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5. Inventories

Inventories at Lower of Cost or Market. The table below presents the components of inventories at cost (first in-first out or average cost), but not in excess of realized value.

	June 27, 2008	December 31, 2007
	(in millions)	
Raw materials, components and sub-assemblies	\$ 120	\$ 106
Work in process	117	106
Finished goods	44	37
Total	\$ 281	\$ 249

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**L-3 COMMUNICATIONS HOLDINGS, INC.
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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

6. Goodwill and Identifiable Intangible Assets

Goodwill. In accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS 141), the Company allocates the cost of business acquisitions to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition (commonly referred to as the purchase price allocation). The table below presents the changes in goodwill allocated to the Company's reportable segments.

	C ³ ISR	Government Services	AM&M (in millions)	Specialized Products	Consolidated Total
Balance at December 31, 2007	\$ 1,022	\$ 2,264	\$ 1,199	\$ 3,680	\$ 8,165
Business acquisitions	3	6	3	130	142
Foreign currency translation adjustments	(1)		(7)	11	3
Balance at June 27, 2008	\$ 1,024	\$ 2,270	\$ 1,195	\$ 3,821	\$ 8,310

The increase of \$142 million related to business acquisitions is comprised of (1) an increase of \$131 million for business acquisitions completed during the first half ended June 27, 2008, (2) an increase of \$9 million for earnouts related to certain business acquisitions completed prior to January 1, 2008, and (3) an increase of \$2 million primarily related to final purchase price determinations for certain business acquisitions completed prior to January 1, 2008.

During the quarter ended March 28, 2008, the Company completed its annual impairment test for the goodwill of each of the Company's reporting units. The annual impairment test resulted in no impairment losses.

Identifiable Intangible Assets. Information on the Company's identifiable intangible assets that are subject to amortization is presented in the table below.

	Weighted Average Amortization Period (in years)	June 27, 2008		December 31, 2007			
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer contractual relationships	22.7	\$ 511	\$ 108	\$ 403	\$ 488	\$ 92	\$ 396
Technology	7.9	73	41	32	73	36	37
Other, primarily favorable leasehold interests	7.7	14	7	7	14	6	8

Total 21.3 \$ 598 \$ 156 \$ 442 \$ 575 \$ 134 \$ 441

Amortization expense recorded by the Company for its identifiable intangible assets is presented in the table below.

	Second Quarter		First Half Ended	
	Ended	June 29,	June 27,	June 29,
	June 27,	2007	2008	2007
	2008	(in millions)		
Amortization expense	\$ 11	\$ 13	\$ 22	\$ 24

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Continued)**

Based on gross carrying amounts at June 27, 2008, the Company's estimate of amortization expense for identifiable intangible assets for the years ending December 31, 2008 through 2012 are presented in the table below.

	2008	Years Ending December 31,			2012
		2009	2010	2011	
		(in millions)			
Estimated amortization expense	\$ 44	\$ 52	\$ 52	\$ 47	\$ 38

At June 27, 2008 and December 31, 2007, the Company had \$0.6 million of indefinite-lived identifiable intangible assets.

7. Other Current Liabilities and Other Liabilities

The table below presents the components of other current liabilities.

	June 27, 2008	December 31, 2007
	(in millions)	
Other Current Liabilities:		
Accruals for pending and threatened litigation (see Note 13)	\$ 18	\$ 134
Accrued product warranty costs	95	98
Accrued interest	64	74
Estimated costs in excess of estimated contract value to complete contracts in process in a loss position	47	58
Deferred revenues	21	13
Aggregate purchase price payable for acquired businesses		10
Other	99	96
Total other current liabilities	\$ 344	\$ 483

The table below presents the components of other liabilities.

June 27, 2008	December 31, 2007
(in millions)	

Other Liabilities:

Non-current income taxes payable	\$ 243	\$	238
Deferred compensation	78		79
Accrued workers compensation	44		41
Unfavorable lease obligations	9		12
Non-current portion of net deferred gains from terminated interest rate swap agreements	10		12
Notes payable and capital lease obligations	11		11
Accrued product warranty costs	6		
Accruals for pending and threatened litigation (see Note 13)	3		5
Other non-current liabilities	90		103
Total other liabilities	\$ 494	\$	501

